Province of
British Columbia

1986 report of the AUDITOR GENERAL

including
comments
related to the
financial statements
of the Government
for the year
ended 31 March 1985

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REPORT OF THE AUDITOR GENERAL

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Province of
British Columbia

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Auditor General
Province of British Columbia

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The Honourable Hugh A. Curtis
Minister of Finance
Province of British Columbia

Sir:

I have the honour to transmit herewith my 1986 Report to the Legislative Assembly for submission to the Assembly in accordance with the provisions of Section 10(1) of the Auditor General Act, R.S.B.C. 1979, chapter 24.

Erma Morrison

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
10 April 1986

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FOREWORD

This 1986 Report of the Auditor General is issued as required by Section 8 of the Auditor General Act. It constitutes a report on the work of my Office and comments on matters which I feel should be brought to the attention of the Legislative Assembly, including comments on the Government's financial statements for the fiscal year ended 31 March 1985. It is the eighth such Annual Report issued since my appointment as Auditor General in September 1977.

My reports on the three separate sets of the financial statements of the Government give my opinions on the fairness of presentation of the information contained therein, according to stated accounting policies. They were given without qualification or reservation, and are reproduced elsewhere in this Report as well as being included in the Public Accounts. The date of these reports, 31 August 1985, is the date of substantial completion of the audit work involved.

Separate auditor's reports were issued on the financial statements of the 31 public bodies of which I am the auditor.

No Special Reports were issued since my last Annual Report.

Three broad-scope or comprehensive audit projects were completed since my last Annual Report and are included in this one. They deal with the Ministry of Lands, Parks and Housing and with cross-government reviews of passenger vehicle travel and professional service contracts.

Management letters are issued on completion of individual audits to formalize, and invite official responses to, points raised and discussed during the course of audit work. This provides the mechanism for early corrective action as problems are identified. The general response

and cooperation in the various ministries and public bodies has been excellent, indicating a willingness and desire to improve performance.

The "Financial Statements" section of this Report includes informational comments on the transactions related to the elimination of responsibility of the British Columbia Railway Company for its "historic" debt, and the current and future obligations assumed by the Province in that regard. The action taken effectively reflects the recommendations made in earlier Auditor General's Reports.

I commend the change in accounting policies to include the accounts of the three capital financing authorities in the Government's Consolidated Financial Statements. The effect of this inclusion, recommended in several previous Auditor General's Reports, is to provide fuller and more accurate disclosure of the long-term debt obligations of the Government.

A major portion of this Report deals with financial and legislative controls. The subject is always of importance, and is of special significance when economic stringency dictates the firm application of controls at all levels.

Although the formal approval of an increase of 10 staff positions to my Office complement in response to concerns expressed in my 1985 Report was received too late to have much impact on our 1985/86 audit work, the effect should be felt during the current year. It will undoubtedly assist our efforts to extend both regular and special work in areas where need exists and potential benefits may be significant.

I consider it essential that increased emphasis be placed on the expansion of our special audit and computer audit resources. We hope to increase our capabilities in those respects under a planned program with due regard to both economy and efficiency.

I wish to express my thanks for the cooperation of the personnel of the organizations audited by my Office, and my deep appreciation to the staff of the Office of the Auditor General for their efforts in meeting the standards and demands placed on them in the course of their work.

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
31 March 1986

Part 1

AUDIT OF THE GOVERNMENT'S FINANCIAL STATEMENTS

REPORTS AND COMMENTS ON THE FINANCIAL STATEMENTS

1.1 The Auditor General Act requires the Auditor General to examine the accounts and records of the Government, and to report annually on the financial statements expressing an opinion as to whether the statements provide a fair presentation of the financial position and operating results of the Government in accordance with its stated accounting policies.

1.2 This section of my Annual Report deals with the auditor's reports containing my opinions on the Government's financial statements, and with related matters which warrant additional comment.

Reports of the Auditor General on the Financial Statements

1.3 The Government presents three separate and distinct sets of annual financial statements. The first, referred to as the financial statements of the Combined General Fund and Special Funds, reflects the transactions and financial position of the Consolidated Revenue Fund. The second, entitled the Consolidated Financial Statements, provides a more comprehensive picture of the Government's financial position by aggregating the Consolidated Revenue Fund with financial information of certain Crown corporations and other public bodies, and including on an equity basis the Government's investment in other Crown corporations. The third, referred to as the Trust Funds Financial Statements, presents financial information about amounts held and administered by the Government in trust for others. These include pension funds, sinking funds, managed trust funds and custodial deposits.

1.4 During the 1985 fiscal year my Office examined the accounts and records of the Government pertaining to the general fund, special funds and trust funds. We also reviewed the audited financial statements of the 38 Crown corporations and other entities included in the Government's Consolidated Financial Statements. This audit work was substantially completed on 31 August 1985.

1.5 My auditor's reports were issued on the Government's 1985 financial statements on 19 November 1985, and are included with these statements in the 1985 Public Accounts. My audit opinions on the three sets of Government financial statements were expressed without reservation. For the convenience of the reader, the auditor's reports and the financial statements to which they pertain are reproduced in Appendix III to this Report.

Comments on the Financial Statements

1.6 During the examination of the accounts and records of the Government which forms the basis for my opinions on the financial statements, many matters come to my attention. These may concern the application of the Government's accounting policies, compliance with statutes and established procedures, or the observance of good business practices.

1.7 Most matters, while important in the context of a single ministry, are not of sufficient magnitude or significance to warrant detailing in this Report. These are dealt with in the normal course of our work by direct communication with the management of ministries concerned.

1.8 However, other items for reasons of materiality or nature are considered worthy of the attention of the Legislative Assembly, and accordingly are discussed in my Annual Reports. Particular comments on the 1985 financial statements resulting from my examination follow.

ACCRUED LIABILITIES

1.9 The Government's stated accounting policies require that liabilities be recorded in a fiscal year to the extent that they represent claims payable to outside parties as a result of events and transactions occurring prior to the year-end.

1.10 My staff noted two significant instances where this policy was not complied with. In both cases the costs, consisting of unamortized tenant improvements, and the corresponding liabilities payable to British Columbia Buildings Corporation (BCBC) were not recorded in the 1985 fiscal year although the underlying events took place in that year. The events related to two ministries.

1.11 **Ministry of Health:** The Ministry transferred Pearson Hospital to a private society effective 1 April 1984. At 31 March 1985, the Ministry had a total liability to BCBC for unamortized tenant improvements of $5.9 million. The Ministry accrued $3.6 million of these unamortized tenant improvements but did not accrue the remaining $2.3 million balance payable.

1.12 **Ministry of Human Resources:** The Ministry closed the Tranquille Institution in January 1985. Unamortized tenant improvements payable to BCBC on the closure of the Institution, but not accrued at 31 March 1985, amounted to $5.3 million.

1.13 As a result of the foregoing omissions, expenditures and liabilities of the Government were understated in the Government's Combined Financial Statements by a total of $7.6 million with respect to the 1985 fiscal year.

FISCAL AGENCY LOANS FUND DISCLOSURE

1.14 In the year ended 31 March 1984 a program of direct borrowing by the Government for the purpose of lending the proceeds to other government bodies was initiated. The Financial Administration Act states that money borrowed for government bodies "... shall be paid into a fund, that is deemed to be a special fund ...", and that "Money may be paid out of the special fund ... for the purpose of making loans to government bodies ..."

1.15 The volume of borrowing under this program increased substantially during the year ended 31 March 1985 when over $3 billion was borrowed by the Government and loaned to government bodies.

1.16 However, none of this borrowing and lending activity was reflected in the "Schedule of Special Fund Transactions and Balances" in the 1985 Combined Financial Statements of the Province.

1.17 Although a separate line was added to this Schedule for the Fiscal Agency Loans Fund in 1985, no dollar amounts for the Fund's transactions were included. An explanatory footnote stated that the reason for this treatment was that the Fund would never have a balance at the beginning or end of the fiscal year.

1.18 I recommend that, regardless of whether funds have balances at the beginning or end of the fiscal year, the Schedule of Special Fund Transactions and Balances disclose the transactions of all special funds included thereon, including the Fiscal Agency Loans Fund.

BRITISH COLUMBIA RAILWAY COMPANY - ELIMINATION OF HISTORIC DEBT

1.19 In my 1978 and 1979 Annual Reports I recommended that the debt liability of the British Columbia Railway Company (BCR) should be recognized in the Government's financial statements because BCR had a working capital deficiency and therefore was unable to repay its debt without the assistance of the Government.

1.20 During the year ended 31 March 1985, the Province entered into a series of transactions relating to the historic debt of BCR. Historic debt in this context means all outstanding long-term debt issued by BCR up to December 1981. The transactions referred to were:

- payment by the Province to BCR of $430 million from the Resource Revenue Stabilization Fund, which amount BCR then transferred to its Sinking Funds;

- payment to the Province by BCR Sinking Funds of the above $430 million, plus a further $100 million from monies already accumulated in the Sinking Funds, to purchase notes payable issued by the Province having a face value of $724 million;

- crediting by BCR of $179 million gain resulting from the above transaction to its contributed surplus account, representing the difference between its accumulated Sinking Fund assets and the face value of its historic debt; and

- recording by the Province of a $194 million discount representing the difference between the payment received from BCR and the face value of the notes payable issued.

1.21 These transactions had the following consequences.

- The assets held by BCR Sinking Funds will provide sufficient funds to service and retire the historic debt of BCR.

- The historic debt liability of BCR now is, in effect, recognized in the Government's financial statements.

- Future interest costs on the debt will be incurred directly by the Province.

- The $194 million unamortized discount is also recognized in the Government's financial statements and is to be charged as an expense in the Province's accounts over the life of its notes payable, which mature at various dates to the year 2006.

1.22 I have provided the foregoing information in order to acquaint the reader with significant details of these complex transactions. The resultant recognition of the historic debt liability of BCR in the Government's financial statements satisfactorily resolves the concerns expressed in my previous Annual Reports.

SINKING FUNDS

1.23 Sinking funds are pools of cash and investments built up over a period of years to provide for the orderly retirement of debt. During the year the Government established sinking funds for a number of its own debt issues, even though the debenture documents did not require the creation of such funds. I recognize that it is a prudent measure to establish sinking funds. However, I am concerned that these sinking funds were not properly authorized. Also, I consider that they were inappropriately included in the 1985 Trust Funds Financial Statements.

1.24 **Authorization:** In my opinion, the Financial Administration Act was not complied with. Section 47 of the Act states that the "Lieutenant Governor in Council may provide for the creation ... of sinking funds". These sinking funds were not authorized by Order-in-Council (OIC).

1.25 Discussions with Ministry of Finance staff regarding this matter lead me to conclude that clarification of the Financial Administration Act in this area is required. I have interpreted Section 47 to mean that an OIC is required before a Provincial sinking fund can be established. However, Ministry staff, supported by an opinion from their legal counsel, contend that Section 53 of the Act, which states that money required to provide and maintain a sinking fund shall be paid from the Consolidated Revenue Fund, enables them to set up a sinking fund without authorization by OIC. The question I raise is not that of provision and payment of monies, but of authorization for the establishment of sinking funds.

1.26 Further, I am of the opinion that, in order for a sinking fund to be established and to be reflected as such in the financial statements of the Province, the sinking fund assets should be segregated from other assets in an

irrevocable manner and therefore be not subject to appropriation for other purposes. Current legislation does not address this issue.

1.27 I have been told by Ministry officials that this area of the Financial Administration Act is under review for possible amendments. I recommend that there be included in this review clarification of the requirements for the establishment of sinking funds and for the segregation and protection of sinking fund assets.

1.28 **Financial Statement Disclosure:** The sinking funds referred to previously, which had a value of $11 million at 31 March 1985, were appropriately deducted from the public debt figures in the Government's financial statements. However, they were also included in the Trust Funds Financial Statements. I disagree with this treatment because it is not possible to hold assets in trust for oneself. The Government is the beneficial owner of these sinking funds and consequently retains the power of appropriation over them.

1.29 The purpose of the Trust Funds Financial Statements should be to account for the fiduciary activities of the Government, whereby it holds and administers moneys in trust for third parties. In previous years, the key criteria for an asset's inclusion in the Trust Funds Financial Statements were that the asset was being held for a third party and that the Government had no power of appropriation over it. In the 1985 Trust Funds Financial Statements the criteria were amended by removing the reference to third parties.

1.30 I recommend therefore that the Trust Funds Financial Statements include only those assets being held in trust for third parties and over which the Government does not have any power of appropriation.

TRUST FUNDS CLASSIFICATION

1.31 Trust funds administered by the Government are reported annually in the Trust Funds Financial Statements which appear in Section D of the Public Accounts.

1.32 Two categories of trust funds have been established for financial accounting purposes.

- Actively managed funds - for which the Minister of Finance represents the Government in performing at least one of the following functions: setting investment policy; controlling the collection of contributions, instalments and other receipts; disbursing payments; and performing other administrative and miscellaneous functions related to the funds.

- Custodial deposits - for which the Minister of Finance, representing the Government, merely holds assets according to conditions set by agreements or statutes.

1.33 In the case of the actively managed funds, the Trust Funds Financial Statements present asset and liability information as at the year-end, as well as a summary accounting of how the trust fund balances changed during the fiscal year. However, for the custodial deposits, the Trust Funds statements disclose only an analysis of the total assets held, less any related liabilities, at the fiscal year-end.

1.34 I consider that certain trust funds, which are now treated merely as custodial deposits, are in fact very actively managed by provincial Government employees, and should therefore more appropriately be treated as actively managed trust funds of the Government. At 31 March 1985 these included:

Public Trustee and Official Administrators funds	- $225.5 million
Crop Insurance Fund	- $ 2.7 million (deficit)
Land Registry Assurance Fund	- $ 1.2 million

1.35 As a result of such funds being treated as custodial deposits, there is no accounting and accountability reporting of the increases or reductions in fund balances from one fiscal year-end to the next, as is provided in the accounts presented in the category of actively managed trust funds. The four categories of information not being provided with regard to these trust funds are "capital receipts", "investment income", "capital disbursements" and "other costs and administration".

1.36 As the financial statement information presented was not incorrect in itself, my opinion on the overall Trust Funds Financial Statements was not affected. However, for more complete financial disclosure and public accountability for the overall stewardship of these important funds held in trust by the Government, the trust funds of the Public Trustee and Official Administrators, the Crop Insurance Fund and the Land Registry Assurance Fund should be treated, accounted for and reported - as actively managed trust funds.

STATUS OF THE WORKERS' COMPENSATION BOARD SUPERANNUATION FUND

1.37 The net assets and changes in fund balances of the Workers' Compensation Board (WCB) Superannuation Fund are included in the Government's Trust Funds Financial Statements. However, I do not consider that the WCB Superannuation Fund meets the requirements for inclusion in the Trust Funds Financial Statements as described in Note 1A thereto.

1.38 Note 1A to the statements states that trust funds comprise, among other things, superannuation funds. The note further states that the Government administers and is responsible for the collection of employee contributions to these funds.

1.39 However, it is the WCB and not the Government that maintains accounting records, collects contributions, administers the investment portfolio, has physical custody of the assets, and provides on-going operating direction

regarding the WCB Superannuation Fund. Although the Government's Superannuation Commission maintains pensioner records and makes pension payments and refunds to contributors, the monies are provided by the Board. It is evident that the administration is substantially provided by the Board and not by the Government. Moreover, the Government has no role in collecting employee contributions. Therefore, the inclusion of the WCB Superannuation Fund in the Trust Funds Financial Statements is inappropriate.

1.40 I recommend exclusion of the WCB Superannuation Fund from the Government's Trust Funds Financial Statements, and understand that the Comptroller General is in agreement.

GOVERNMENT ACCOUNTING POLICIES

2.1 The Government's financial statements are prepared in accordance with accounting policies established by the Treasury Board. Significant accounting policies are stated in the notes which form part of the annual financial statements published in the Public Accounts.

2.2 The Auditor General's reports on the Government's financial statements must state whether they are presented fairly in accordance with the Government's stated accounting policies.

2.3 Additionally, the Auditor General Act provides that I may comment in my Annual Report on the appropriateness of the Government's basis of accounting for the purpose of fair presentation and disclosure. The following are my remarks in this regard.

CAPITAL FINANCING AUTHORITIES

2.4 I am pleased to note that Treasury Board has authorized a change in accounting policy with respect to the Government's three capital authorities, and that they have been included in the Government's Consolidated Financial Statements for the fiscal year ended 31 March 1985.

2.5 In my last four Annual Reports I recommended that the Government include in its Consolidated Financial Statements the three financing authorities which provide capital financing to the Province's universities and other post-secondary institutions, regional hospital districts, and school districts. These authorities are:

- British Columbia Educational Institutions Capital Financing Authority;
- British Columbia Regional Hospital Districts Financing Authority; and
- British Columbia School Districts Capital Financing Authority.

2.6 Since these financing authorities are controlled and managed by the Government, and serve as conduits for the capital financing requirements of major Government programs in the health and educational fields, I considered that they should be included in the Consolidated Financial Statements in order to reflect more fairly the long-term debt obligations of the Government.

RECOVERIES

2.7 In my 1985 Report I pointed out that, under the Government's current accounting policy, receipts which arise as the result of transactions which are alike in nature and substance do not necessarily receive the same accounting treatment. As a result, accounting treatment is inconsistent, and comparable financial reporting is compromised.

2.8 In that Report I recommended that the Government amend its accounting policy to ensure that cash receipts which arise from transactions of a similar nature and substance are recorded consistently in the accounts.

2.9 In the Response to the 1985 Report of the Auditor General, issued by the Ministry of Finance in July 1985, it was stated that the Ministry agreed with the comments I made on this subject, and that senior officials in the Office of the Comptroller General and Treasury Board Staff were reviewing the alternative methods of accounting for these monies which total over $1 billion annually. The Response also stated that development of a clear policy was expected to be completed in the 1986 fiscal year. There have been no new developments in this regard.

2.10 I consider this matter to be of considerable urgency and importance, and recommend that appropriate action be taken to establish an appropriate accounting policy.

LEASE PAYMENT ACCOUNTING POLICY

2.11 The Government leases most of its accommodation facilities from British Columbia Buildings Corporation (BCBC). Many of these are special purpose buildings such as court houses, correction centres and continuing care institutions which are usually leased for their estimated economic life.

2.12 It is generally accepted that a lease covering the economic life of an asset transfers all of the benefits and risks of ownership to the lessee. Accordingly, these long-term leases on special purpose facilities would appear to transfer substantially all the benefits and risks of ownership to the Government.

2.13 The Government's accounting policies specify that "Rental payments for leases which transfer the benefits and risks incident to the ownership of certain assets are reported as expenditures at the dates of inception of the leases." It follows, then, that application of the Government's lease accounting policy in the case of special purpose facilities would call for the reporting of total rental obligations as expenditures at the dates of inception of the leases.

2.14 For the most part, the Government reports only the current year's rental payments as expenditures. While this reflects the economic reality of the transactions and is the treatment I would prefer to see followed, it is not in strict accordance with the Government's stated accounting policy.

2.15 I recommend that the accounting policy with respect to these transactions be reviewed as to its appropriateness. In addition, I suggest that summary information on the future cost of lease commitments be included in the notes to the Government's Combined Financial Statements.

COMMENTS ON FINANCIAL AND LEGISLATIVE CONTROLS

3.1 As part of the work carried out by my Office in the examination of the Government's annual financial statements we review selected systems of internal control applied throughout the Government. These reviews are intended to determine whether the systems examined provide reasonable assurance that expenditures are properly authorized, revenues collected and assets safeguarded, and that transactions are properly recorded.

3.2 Our examination also includes tests to determine whether there has been compliance with relevant provisions of the Financial Administration Act, the financial provisions of other Acts, and related policies, rules and procedures.

3.3 Details of matters observed in the course of our audit are brought to the attention of senior ministry officials by means of discussion and correspondence. Those matters which I consider warrant the attention of the Legislative Assembly are set out in this section of my Report.

STATUTORY APPROPRIATIONS

3.4 A traditional right and responsibility of the Legislative Assembly is the control of public funds. An important principle in this regard is the annual granting by the Legislature of spending authority.

3.5 The Financial Administration Act (the Act) provides for annual Government expenditure authorization through the Estimates and the Supply Acts. The Act also makes provision for the Lieutenant Governor in Council to supplement amounts provided by the Legislature which prove to be insufficient, and to approve amounts required for unforeseen emergencies. Such approvals, called special warrants, require subsequent confirmation by the Legislature through the next Supply Bill.

3.6 Five years after bringing into effect this modern financial legislation, a considerable amount of government spending still occurs without annual legislative review and approval.

3.7 During the 1985 fiscal year $53 million was paid out by using 17 different standing statutory approvals other than those in the Act, and a further $32 million was spent through nine special accounts with no current legislative approval. These special accounts are the residuals of a number of Special Funds which were transferred to the General Fund in April 1982. At 31 March 1985, $770 million was still available in 13 of these special accounts for future spending with no further legislative approval. Indeed, some of these accounts, such as the Crown Land Account and the Provincial Home Acquisition Account, are continually generating new funds and have actually been increasing in amount.

3.8 A 1980 Ministry of Finance Discussion Paper, which introduced the then proposed, new Financial Administration Act, stated that standing statutory appropriations were considered to be "blank cheques". The Discussion Paper suggested that the provisions of these should be analyzed to determine if they are still essential. We have seen only limited indications of such standing statutory spending authorities being changed or deleted up to the end of 1985.

3.9 I therefore recommend that a comprehensive review be conducted of all statutory expenditure authorizations and all special accounts to determine the extent to which their spending provisions could alternatively be accommodated through the Act, and thus be subject to annual review and approval by the Legislative Assembly. If such authorities or accounts are deemed to be necessary, I recommend that their need and utilization be subject to periodic review.

RECOVERIES - AUTHORITY TO SPEND ESTIMATED AMOUNTS

3.10 The issue of the Government's recoveries accounting policy was referred to in my 1985 Annual Report. Further comment is also made in this Report in paragraphs 2.7 to 2.10.

3.11 A related matter which I feel should be drawn to the attention of the Legislative Assembly is the authorization provision for the spending of recoveries, as set out in section 20(3) of the Financial Administration Act:

> "20.(3) Where a vote in the estimates of revenue and expenditure that is approved by the Legislature shows an item as a credit or recovery, the vote shall be deemed to authorize the payment of an amount equal to the aggregate of
> (a) the amount appropriated,
> (b) the estimated credits or recoveries set out in the details related to that appropriation, and
> (c) on the approval of the Treasury Board, the amount by which the credits or recoveries actually payable to or received by the government exceed the estimated credits or recoveries set out in the details related to that appropriation."

3.12 The Act appears to provide for the spending of amounts equivalent to the estimated credits or recoveries provided for in the Estimates, whether or not any or all of those credits or recoveries are ever received.

3.13 During the past two fiscal years over $9 million of estimated recoveries was expended through four different Votes on the authority of section 20(3) of the Act, even though the estimated recoveries were not received.

3.14 An example of spending estimated recoveries which were not received is 1984/85 Vote 16 of the Ministry of Education. In this Vote the actual net expenditures for the year exceeded the net amount provided for in the Estimates by $711,258. This overexpenditure was considered to be properly authorized because recoveries originally estimated for the year were $721,611 greater than total recoveries actually received.

3.15 It would seem, regardless of the wording and interpretation of section 20(3) of the Act, that the spending of estimated credits or recoveries should be contingent upon their actual receipt by the Government.

3.16 I therefore recommend that section 20(3) of the Financial Administration Act be carefully studied by senior Government financial and legal officials to fully assess the interpretation and implications involved. It might also be appropriate to consider an amendment to that section of the Act to require the actual receipt, or reasonable assurance thereof, of estimated credits or recoveries before the equivalent spending is allowed.

BORROWING AUTHORIZATION

3.17 The main source of Government borrowing is the issue and sale of bonds or debentures. Some of these securities are sold at a discount, which results in the proceeds being less than the face value of the securities sold. The face value is the amount that is ultimately repayable by the Province.

3.18 The Financial Administration Act requires Order-in-Council (OIC) approval for the Minister of Finance to borrow money by the issue and sale of securities. The Act states that "Each order authorizing such a borrowing ... shall state the Canadian dollar equivalent of the maximum amount outstanding ..."

3.19 My interpretation of the reference in the Act to the "maximum amount outstanding" is that it means the face value of the securities issued. However, officials of the Provincial Treasury, Ministry of Finance, have interpreted the same reference to mean the proceeds of the issue rather than the face value of the securities for which the Province is obligated.

3.20 The Ministry's interpretation has not presented audit concerns in the past because discounts have been relatively small, and both the proceeds of sale and the face value of securities issued have been less than the amount authorized by OIC.

3.21 However, in the case of one OIC related to the financing of the historic debt of the British Columbia Railway Company, the face value of the securities issued was $74 million greater than the amount authorized in the OIC.

3.22 The OIC authorized the Minister of Finance to borrow, by the issue and sale of securities, "... an amount not to exceed $650 million in lawful money of Canada." Because the securities were issued at a large discount, the proceeds of the issue were $530.7 million, although the face value of the securities issued was $724 million.

3.23 I was concerned that the $74 million excess appeared not to have adequate OIC authorization in reference to the requirements of the Financial Administration Act.

3.24 I have recently been provided with a copy of a legal opinion from the Ministry of the Attorney General which supports Provincial Treasury's view that the Financial Administration Act refers to the proceeds of a borrowing rather than the face value of the securities issued.

3.25 Notwithstanding this legal opinion, and looking to the substance of the matter, I consider it important that OICs which authorize borrowing contain, and clearly identify, the maximum face value of the securities to be issued.

CONTINGENCIES VOTE

3.26 Each year, the Estimates of Revenue and Expenditure presented to the Legislative Assembly by the Minister of Finance include a separate vote for "Contingencies". According to the Estimates for the year ended 31 March 1985, the Contingencies vote "... provides for expenditures of a contingent or unexpected nature that are not provided for in any other vote. This vote also provides funding, in excess of that provided for in any other vote, for costs related to natural disasters, emergency relief, for assistance to those in need and for unanticipated developments."

3.27 This description sets out some specific items which are regarded as contingencies, such as costs related to natural disasters. Other kinds of contingency are not specified but are described in general terms. However, the vote description infers that all the expenditures charged to the Contingencies vote arise from events and circumstances which are unpredictable and beyond the Government's ability to control or influence.

3.28 Expenditures charged to the Contingencies vote are not always consistent with the purposes of the vote as described in the Annual Estimates. This undermines the credibility of the Government's financial reporting. It also deprives the Legislature of the opportunity to meaningfully debate the appropriation of funds for these purposes.

3.29 My staff examined the expenditures charged to the Contingencies vote against the criteria of lack of predictability and controlability. They identified two examples where these criteria do not appear to have been met.

3.30 The first relates to two semi-annual payments of $5 million each, paid to British Columbia Buildings Corporation (BCBC) and described as debt servicing grants. These amounts were paid pursuant to an agreement signed between the Ministry of Finance and BCBC in August 1982. The agreement provides for twenty such semi-annual payments to be made between 1982 and 1992. Reported commitments in the 1985 Combined Financial Statements of the Government included $70 million attributable to the balance due under this obligation.

3.31 I believe that it was inappropriate to charge these amounts to the Contingencies vote. However, I understand that the $10 million has been provided for in a more appropriate vote in the 1987 Estimates.

3.32 The second example relates to the inclusion of expenditures of $4.5 million transferred from the Ministry of Universities, Science and Communications. The transfer appears to be attributable to that Ministry not budgeting sufficient amounts for obligations under capital leases which were known, or which should have been known, to exist. I do not believe that such administrative oversights are valid contingencies.

3.33 I recommend that the Government ensure that the expenditures processed through the Contingencies vote relate only to events contemplated in the vote description. In all other cases, funding in excess of existing appropriations should be provided by special warrant.

SENIOR FINANCIAL OFFICER BANK ACCOUNTS

3.34 In each ministry of the Government there is a Senior Financial Officer (SFO) who is responsible for the specific operation and management of the ministry's systems of financial administration. The Government's financial administration procedures manual provides that a ministry bank account may be established for each ministry SFO to pay for a restricted variety of purchases of goods and/or services. According to the procedures manual, "... this will permit payment of small amounts by cheque where, due to the distance from a supplier or due to a supplier's requirement that payment accompany the order, it is not possible to make a petty cash payment in cash."

3.35 The amount originally authorized for these accounts varied by ministry, but was not more than $50,000 with a $100 payment limit. Accountable advances were made to individual SFOs who signed personal assignments of wages for the amounts received. The advances were then deposited to duly established Government bank accounts.

3.36 In late 1984, the operating guidelines in the procedures manual for these accounts were relaxed on a pilot basis by the Office of the Comptroller General. This relaxation of guidelines allowed three ministries increased scope to make payments for a greater variety of goods and services than is provided for in the manual, and for two of those ministries their spending limit was increased to $1,000 per payment.

3.37 The relaxation in procedures has given me some concerns about the administration of these SFO bank accounts, as follows:

- At 31 March 1984 there were eight of these accounts, with $138,000 in advances made to them. By 31 December 1985 the advances outstanding had grown to $411,000 in nine accounts. The concern I have with this growth is that the funds in these bank accounts have been treated in the Government's accounting records and financial statements as accounts receivable from the individual SFOs, rather than as part of the Government's cash in bank, even though the accounts are considered adjuncts to the Government's central payments process.

- Further, the practice of having SFOs personally accountable for such large advances, $250,000 in the case of one ministry, seems inappropriate and fraught with undue risk to the SFO and the Government in the event of a breakdown in the system of internal control.

- In the ministry with the largest advance at the 1985 fiscal year-end, $150,000, more than 1,200 payments were processed through its account during the month of March 1985 alone, for a total in excess of $300,000, which means that the ministry's advance was used up and replenished more than twice in the one month.

- In that same ministry, although dual signatures were required for the account cheques from among seven individuals of the ministry, during the first half of 1985 three junior staff of the ministry were included in the group who were authorized to sign cheques. I consider this level of cheque signing authority to be inappropriate in a large ministry operation.

3.38 Because of the growing use of these accounts and the concerns I have noted, I recommend that an evaluation be performed of the 1984 relaxation in operating guidelines for these accounts, and that:

- policies, procedures, practices, funding levels and spending limits be reviewed with the objective of improving the administration of SFO bank accounts;

- the practice of making personal accountable advances to SFOs to establish these accounts be reconsidered;

- adequate internal controls, such as appropriately senior cheque signing authorities, be put in place before the bank accounts are established; and

- the SFO bank account balances be reported as cash in bank in the Government's accounts and annual financial statements.

ACCOUNTING FOR PROVINCIAL DEBT TRANSACTIONS

3.39 Debt issued by the Government during the year ended 31 March 1985 totalled $7.8 billion, compared with $4.1 billion in the previous year. The Fiscal Agency Loans Program, whereby the Government borrows for the purpose of lending to other government bodies, accounted for $2.8 billion of the overall increase of $3.7 billion in debt issues.

3.40 I am concerned that new borrowing programs administered by the Provincial Treasury division of the Ministry of Finance have been started without adequate planning for accounting and administrative support. Certain transactions were not processed correctly through the central accounts system on a timely basis, thereby requiring many accounting adjustments.

3.41 An underlying problem appears to be that the responsibility for debt transactions is divided between different branches within Provincial Treasury.

3.42 The more significant examples of problems noted during our audit are set out below.

- Loans made to government bodies as recorded in the central accounts system were approximately $900,000 less than the value of loans actually made.

- Interest was charged twice to certain School Districts but the error was not discovered for many months.

- Interest payments and recoveries of $32 million each on long-term borrowings for government bodies for the year ended 31 March 1985 were not recorded in the central accounts system until September 1985.

- Interest expense on short-term borrowings which matured between April and August 1984 was not recorded in the central accounts system until September 1984.

3.43 In December 1985 I made specific recommendations to the Ministry of Finance aimed at improving the accounting function with regard to debt-related transactions. I have subsequently been informed by the Ministry that my recommendations have been implemented.

INVESTMENT ACCOUNTING ERROR

3.44 I have commented in my previous Annual Reports on weaknesses in internal controls and accounting records in the Provincial Treasury division of the Ministry of Finance, with regard to investment transactions. Many improvements to internal controls and the accounting records have been made by the Ministry in recent years. However during 1985 one error gave me particular cause for concern.

3.45 The Ministry administers a large number of sinking funds on behalf of school districts. These sinking funds are used to pay off debts owed by the school districts to the British Columbia School Districts Capital Financing Authority.

3.46 During the year a number of these sinking funds were certified by the Minister of Finance to have more than sufficient funds to repay the related debt, and the surpluses which arose were distributed to the school districts as required by the School District Capital Finance Act. However, the surpluses calculated and distributed by the Ministry were $912,000 in excess of the correct total.

3.47 The error came to light as a result of my staff's count of securities at 31 March 1985 when it was discovered that the investment inventory records were overstated. This was immediately brought to the Ministry's attention and the money has subsequently been fully recovered.

3.48 In the environment in which the Ministry operates, with its daily flowthrough of millions of dollars, it is critical that the accounting records and internal controls be of a high standard.

3.49 I have made some specific recommendations to the Ministry for improvement of internal controls in regard to this matter. I have been informed by Ministry officials that corrective action already taken in some areas, together with a new system introduced early in 1986, should remedy the weaknesses. My staff will continue to monitor the effectiveness of controls.

BANKING PRACTICES FOR TRUST FUNDS

3.50 In my 1985 Annual Report I recommended that all trust assets administered by the Government be segregated from the assets of the Government.

3.51 Most of the cash and short-term investments held in trust by the Government are properly segregated from its own funds, but there continue to be some exceptions. At 31 March 1985, approximately $150 million of trust cash and short term deposits were mingled with the Government's own cash and investments. In 1984 the comparable amount was $137 million. These assets were primarily those administered by the Public Trustee, but also included funds entrusted to various ministries. The above amounts exclude pension plan assets, for which separate bank accounts were opened on 1 April 1985.

3.52 The Ministry of Finance, in its response to my 1985 Annual Report, stated that "A study will be done on the trust accounts referred to by the Auditor General to determine whether a change in treatment is warranted." I have subsequently been informed by the Ministry that it disagrees with my recommendations that separate bank accounts be opened and feels that it is sufficient to record these trust funds separately in the Government's accounting records.

3.53 To repeat my comments of last year, it is accepted practice that, when assets are held in trust, the trust assets be held separately from the trustee's own assets. I believe that this principle should also apply where the Government acts as a trustee.

3.54 Therefore, I continue to recommend that all trust assets administered by the Government be physically segregated from the assets of the Government.

PUBLIC TRUSTEE

3.55 The Public Trustee is responsible for protecting the financial interests of minors and mentally disordered persons and settling the estates of deceased persons where no other is competent to Act. His Office is a division of the Ministry of Attorney General.

3.56 In the course of our audit work we made a number of recommendations to the Public Trustee with respect to required improvements in financial controls. In order to illustrate our concerns we have detailed some of the weaknesses in the following paragraphs.

3.57 **Cash Management:** In the area of cash receipts and disbursements, we found that some control procedures were inappropriate, and that others were not always satisfactorily followed in a timely manner. For example, procedures currently in effect delay the deposit of cash receipts for periods of up to one week. These delays could be reduced by eliminating or re-scheduling some of the procedures.

3.58 **Asset Control:** My staff found that there were inconsistencies in the recording of trust assets. We noted that there were assets which were not recorded. For example, an asset valued at $200,000 should have been recorded, but was not. Conversely, the records reflected asset values which should have been deleted. In the course of our tests we identified a total of $1.7 million shown on the records as cash when, in fact, the funds had been re-invested and also appeared elsewhere in the accounts in a like amount.

3.59 **Valuation of Assets:** Non-cash assets, such as properties and shares, were not valued on a consistent basis. For example, of a total of 577 real properties held in trust,

294 were valued at nominal values of $1, while the remaining properties were valued at appraised amounts. Also, of 1,826 shareholdings (excluding no-value shares) held in trust, 453 were valued at nominal values of $1, while the remainder were at either cost or market value.

3.60 **Investigative Teams:** I am still concerned about an internal control weakness first described in my 1978 Annual Report. At that time I noted that individual investigators rather than investigative teams were being used to inventory and receipt trust assets. Although the use of investigative teams has increased, this problem still exists. Also, even in cases where teams are used, the records do not always indicate that more than one person was present.

3.61 **Financial Records:** Upon reviewing our audit findings we consider that a major contributing factor to the basic financial control deficiencies within the Office of the Public Trustee has been the lack of a double entry accounting system for recording transactions. Without the disciplines inherent in such a system there is no assurance that all transactions have been completely and accurately accounted for. Basic accounting controls, such as the use of control accounts for subsidiary ledgers and the automatic balancing of transactions, are not in place. It is the absence of such controls which allows errors, such as the $1.7 million duplicate entry referred to previously, to occur.

3.62 **Legislation:** Several Acts set out the duties and responsibilities of the Public Trustee. They include the Public Trustee Act, the Patients Property Act, the Infants Act, the Estate Administration Act and the Trustee Act.

3.63 Our review of these Acts disclosed a number of provisions which are not being complied with. For example, the Public Trustee has not been filing affidavits with the Ministry of Attorney General showing all sums received and all costs recovered. Filing of these documents is required every six months according to Section 15 of the Public Trustee Act. Further, the Comptroller General has not been auditing the accounts of each estate as required by Section 50 of the Estate Administration Act. Legislation applying to the Office of the Public Trustee should either be complied with, or reassessed and appropriately amended.

3.64 The above-noted internal control weaknesses indicate that improvements are needed in a number of areas under the responsibility of the Public Trustee. I recommend that appropriate corrective action be taken as soon as possible.

LAND TITLE SEARCH FEES

3.65 Land Title Offices are part of the Ministry of the Attorney General. Fees are charged by these Offices for registrations, title searches, and related services. At the time of our audit a system was in place whereby certain firms and individuals were allowed direct access to registry files to conduct their own title searches. Fees were based on the number of searches which, on an honour basis, they had reported.

3.66 During our audit of selected Offices we became concerned about the lack of control over these revenues. We learned concurrently that the Ministry had similar concerns, and had contracted with a firm of chartered accountants to examine the system, investigate suspected abuses, and recommend measures to be taken by the Branch that would ensure the collection of all revenues. My staff assisted the accounting firm during its review of some of the Offices.

3.67 The accountants found that a significant amount of revenue had not been collected because some users had not reported all of the searches and related photocopying that they had performed. The exact amount of the lost revenues could not be determined.

3.68 Several users were identified as potential abusers of the system. Subsequent audits confirmed that a significant amount of revenue had not been paid to the Ministry. The Ministry made arrangements with one title search company for payment of the estimated amount owing. This has since been collected in full. An investigation of the records of another search company indicated that the records were incapable of audit and that explanations obtained from the company's officials, although plausible, could not be verified. An investigation of the records of a third company indicated deficient payment practices. Following investigations by the Royal Canadian Mounted Police and the Criminal Justice Branch of the Ministry of the Attorney General, the company and its president were charged with four counts of fraud and four counts of theft. This matter is not yet resolved.

3.69 The accountants made a number of recommendations to the Ministry for improving its accounting system for collecting revenues. The Ministry has already acted on all significant recommendations. We will continue to monitor this activity to ensure that appropriate action is taken on any items that remain outstanding.

CIVIL LEGAL AID COST-SHARING CLAIMS

3.70 Under the Canada Assistance Plan (CAP) the Federal Government contributes toward the Province's cost of providing civil legal aid to persons in need. The cost of operating the civil legal aid program is incurred by the Legal Services Society, the agency established by the Government for the delivery of this service. The Society is required to perform eligibility tests and prepare adequate supporting documentation to show that CAP criteria have been met. The Ministry of Human Resources is responsible, on behalf of the Province, for submitting

civil legal aid cost-sharing claims to the Federal Government.

3.71 In late 1980 the Federal Government suspended payments under this program until such time as the Society could provide satisfactory documentation that CAP criteria had been met.

3.72 Deficiencies in Society documentation precluded the Ministry from submitting cost-sharing claims for the 1981, 1982 and 1983 fiscal years. An audited claim of approximately $2.9 million has been submitted for the 1984 fiscal year. It is expected that similar claims will be submitted for future periods.

3.73 The Ministry is unable, at this time, to estimate the amounts not claimed for the three years in question. However, we were advised that a negotiated settlement of the recoverable costs was under discussion with the Federal Government. I urge the Ministry to expedite the resolution of these outstanding claims.

ACCOUNTS RECEIVABLE AND DEBT COLLECTION - MINISTRY OF FORESTS

3.74 The Ministry of Forests estimated that, of the $43.7 million due from forest companies at 31 March 1985, $11.7 million was doubtful of collection. This amount represents a $5 million increase in doubtful accounts from the $6.7 million estimated a year earlier.

3.75 Although unfavourable economic conditions in the forest industry have given rise to many of the collection problems experienced by the Ministry, we consider that two other factors contributed to the problem.

3.76 The first was the failure of the Ministry's accounts receivable system to provide timely and relevant information required for effective collection procedures. As a result of deficiencies in the system, regional and district personnel responsible for collection activities did not receive adequate reports and analyses necessary to support prompt and effective collection action.

3.77 The second contributing factor concerned established Treasury Board and Ministry debt collection policies. We found that these policies were not always consistently and actively followed.

3.78 The Ministry should consider modifying its accounts receivable system to ensure that information necessary for the proper monitoring and collection of accounts receivable is readily available to all those responsible for this activity. Also, it should take steps to ensure the consistent application and enforcement of collection policies in the future.

TREASURY BOARD APPROVALS - MINISTRY OF HEALTH

3.79 Section 22 of the Financial Administration Act authorizes Treasury Board to approve certain payments to be made out of the Consolidated Revenue Fund if a similar amount has been or will be received as a contribution toward expenditures to be made by the Government.

3.80 During the course of our audit we noted that the following Ministry of Health program expenditures did not have the required Section 22 approval from Treasury Board:

- Out-of-Province Hospital Insurance Reciprocal Agreements ($12,570,446)
- Richmond Health Services ($352,550)

3.81 In addition, Treasury Board approval is required for discretionary grants over $50,000. We noted that, for the 1985 fiscal year, prior Treasury Board approval was not obtained for hospital programs equipment grants totalling approximately $20 million.

3.82 The Ministry of Health should take steps to ensure that approval requirements of the Financial Administration Act and Treasury Board are complied with in the future.

RESTRUCTURE GRANTS

3.83 During our review of grant payments to municipalities by the Ministry of Municipal Affairs it came to my attention that certain grants for policing costs being paid by the Ministry from the Revenue Sharing Fund did not appear to have statutory authority.

3.84 Grants to the cities of Kamloops and Kelowna for non-urban area policing began in the late 1970s. Since 1982 they have been reported under the restructure grant program which was introduced in that year as Section 4.1 of the Revenue Sharing Act. Grants to the two municipalities amounted to $1.4 million in the 1985 fiscal year.

3.85 There is no provision in the letters patent of either Kamloops or Kelowna for the cities to provide policing in non-urban areas within the municipal boundaries. In such cases the Province must provide the policing. Rather than providing the policing directly under existing statutory authorities, the Province has been paying grants to the cities to defray the cost of policing provided by the cities in non-urban areas.

3.86 I raised my concern with the Ministry which subsequently obtained a legal opinion. The opinion concluded that "... it may be necessary to have validating and enabling legislation, covering past and future grants."

3.87 I recommend that steps be taken to ensure that, if such grants are to continue, adequate statutory authority be provided.

ADMINISTRATION OF THE B.C. GAMES

3.88 Summer and winter games are staged each year in different cities throughout British Columbia. To facilitate the organization of the Games the Province has, by contract, appointed an individual to be the Games' Managing Director. The contract, amongst other things, provides for the reimbursement of certain of his costs, such as office expenses, wages of support personnel and travelling expenses.

3.89 As part of our audit of the Ministry of the Provincial Secretary and Government Services we reviewed the financial statements and supporting documentation for payments made under the contract. We found that expense claims generally did not contain sufficient supporting documentation to enable the Ministry's accounting staff to ascertain the validity of expenditures. For example, many claims for entertainment expenses did not state the names of guests nor the reasons for the expenditure as is normally required in such circumstances.

3.90 In July 1985 the Ministry contracted with a firm of chartered accountants to review the financial administration of the B.C. Games. The accountants in their report not only confirmed our findings but raised a number of additional issues. They also made extensive recommendations for improving controls over expenditures incurred by the Province in staging the Games. I recommend the early implementation of procedures necessary to establish a satisfactory level of control over these expenditures.

TELEPHONE EQUIPMENT LEASING OVERCHARGES

3.91 The Ministry of Universities, Science and Communications enters into numerous telephone equipment leasing arrangements on behalf of the Government. Many leases are for extended periods of time, and for amounts ranging up to $850,000. Most are signed on behalf of the Ministry by an operations officer without a formal review by senior officials or the Finance division of the Ministry.

3.92 The leases contain a significant interest cost component. During our review we found examples where these interest charges appeared to be excessive. As a result of our enquiries, the Ministry investigated the leases in question and found that, in some instances, the rates charged were excessive. Steps have now been taken to effect the necessary adjustments to the leases involved and to recover overpayments.

3.93 We recommend that the lease negotiation process be reviewed and amended accordingly, to formally involve senior management and the Finance division in the decision process, and to ensure that the most competitive financing rates available are obtained.

Part 2

STATUS OF GENERAL FINDINGS AND RECOMMENDATIONS CONTAINED IN PREVIOUS ANNUAL REPORTS OF THE AUDITOR GENERAL

STATUS OF GENERAL FINDINGS AND RECOMMENDATIONS CONTAINED IN PREVIOUS ANNUAL REPORTS OF THE AUDITOR GENERAL

4.1 During every audit we identify and assess the actions taken by management with respect to recommendations made during our previous audits. This part of my Report summarizes the current status of general matters which were reported in my previous Annual Reports and which were unresolved at the time of my 1985 Annual Report. This summary does not include matters which arose from previous comprehensive and special audits because these matters are only followed up when the next comprehensive or special audit of the area is undertaken.

4.2 In July 1985 the Government issued a Response to the 1985 Report of the Auditor General which is available to the Members of the Legislative Assembly and the public. This document outlined the Government's progress in responding to problems identified in my 1985 Annual Report.

STATUS OF GENERAL FINDINGS AND RECOMMENDATIONS CONTAINED IN PREVIOUS ANNUAL REPORTS OF THE AUDITOR GENERAL

Report	Section, Paragraph	Subject	Status as at Date of Preparation of the 1986 Annual Report
COMMENTS ON THE FINANCIAL STATEMENTS			
1979	7.41	Recommendation with respect to the conflict between legislation and accounting practices concerning the Hospital Insurance Fund.	This conflict was eliminated in 1985 by passage of the Health Statutes Amendment Act, 1985.
1980	3.14	Limitations placed on the Auditor General of British Columbia under the Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act, 1977 (Canada), prevent normal verification procedures for provincial income taxes assessed, collected and allocated to the Province by the Federal Government.	No change in limitations. However, during 1985 the Auditor General of Canada provided certain assurances to my Office with regard to income taxes assessed and allocated. Representatives of my Office went to Ottawa and reviewed the supporting files relating to the federal audit work carried out. We found that the work had been generally satisfactory for our requirements.

Report	Section, Paragraph	Subject	Status as at Date of Preparation of the 1986 Annual Report
1982	2.9	Recommendation that all court trust bank accounts and offsetting trust fund liabilities be correctly accounted for and recorded.	Court trust bank accounts are now correctly accounted for and recorded.
1982	2.16	Clarification of legislation and possible funding adjustments required with respect to the Members of the Legislative Assembly Superannuation Account.	The Legislative Assembly Allowances and Pensions Act has been amended to clarify the allocation of funding for the Account.
1983	2.13	Recommendation that the net realizable value of the Low Interest Loan Assistance Program funds be included in the General Fund and appropriate legislative authority be obtained for future transactions.	The Low Interest Loan Assistance funds were accounted for appropriately in 1985. Also, in August 1985, the Low Interest Loan Assistance Revolving Fund Act was brought into force.

Report	Section, Paragraph	Subject	Status as at Date of Preparation of the 1986 Annual Report
1985	2.6	Suggestion that the Government consider presenting its main financial statements in the following order: . Consolidated Financial Statements . Combined Financial Statements . Trust Funds Financial Statements	No change.
1985	2.9	Suggestion that, if highly summarized financial information is to be presented, it should be done in a manner which does not leave the impression that it represents the main, audited financial statements of the Province.	No change.

Report	Section, Paragraph	Subject	Status as at Date of Preparation of the 1986 Annual Report
1985	2.14	In June 1984 the Office of the Comptroller General commenced a thorough review of the criteria used for including entities in the Consolidated Financial Statements. The Comptroller General offered to have my Office review the revised criteria once his staff had completed their review.	Certain aspects of the criteria review were completed. However, since a committee of the Canadian Institute of Chartered Accountants has undertaken a study of the same subject for the consideration of all senior levels of government in Canada, the Comptroller General has suggested that the results of that study be examined before proceeding with changes to the accounts of the Province. I concur with this approach.
1985	2.17	Suggestion that the Government consider disclosing the amount of unapplied claims under Section 88 of the Forest Act in a note to the financial statements, together with an explanation that these claims will be settled only when related forest revenues are generated by the companies concerned.	This suggestion was implemented by way of a new note to the Government's 1985 Combined Financial Statements entitled "Accounts Payable".

Report	Section, Paragraph	Subject	Status as at Date of Preparation of the 1986 Annual Report
GOVERNMENT ACCOUNTING POLICIES			
1981	2.4	Inclusion in the Consolidated Financial Statements of the following financing authorities: . British Columbia Educational Institutions Capital Financing Authority; . British Columbia Regional Hospital Districts Financing Authority; and . British Columbia School Districts Capital Financing Authority.	The three financing authorities were included in the Government's Consolidated Financial Statements for the year ended 31 March 1985.
1983	1.11	Gains and losses on dispositions of long-term bond investments of pension funds are deferred, and then amortized over the lesser of the remaining term of the bonds and 20 years. The Government should reconsider this accounting policy.	No change. We will continue to monitor the use of this policy pending the emergence of an authoritative pronouncement by the accounting profession on the subject.

Report	Section, Paragraph	Subject	Status as at Date of Preparation of the 1986 Annual Report
1985	3.15	The Government should amend its accounting policy to ensure that cash receipts which arise from transactions of a similar nature and substance are recorded consistently in the accounts. The Estimates should then be developed in accordance with this policy.	No change. See also paragraphs 2.7 to 2.10.
1985	3.17	Because revenue from Crown corporations is treated inconsistently in the Combined Financial Statements, the Government should state its policy for the recognition of revenues from Crown corporations in the statements.	Resolved. The notes to the Government's 1985 Combined Financial Statements included a clarification regarding recognition of revenues from Crown corporations.
1985	3.21	To improve the consistency of its financial reporting, the Government should establish and state its policy with regard to the specific information on commitments that is to be reported in the Consolidated Financial Statements of the Province.	Improved. A new policy dealing with commitments was given effect in the Government's 1985 Consolidated Financial Statements, entitled "Commitments".

Report	Section, Paragraph	Subject	Status as at Date of Preparation of the 1986 Annual Report
COMMENTS ON FINANCIAL CONTROLS			
Ministry of Finance			
1983 1985	3.9 4.13	Continued efforts should be made by all ministries to comply with the relevant requirements of the Financial Administration Act and Treasury Board policy with regard to Government bank accounts.	No similar problems were noted for the year ended 31 March 1985.
1983	3.11	The entire bank reconciliation process related to the Government's main bank accounts requires improvement.	Significant improvement for the final quarter of the year ended 31 March 1985 was noted.
1983	3.18	The Securities Section of the Ministry should count securities held for safekeeping at least once each year. The physical counts should be independently compared and reconciled to written control records.	Although only two partial counts of securities were conducted by the Ministry during the year ended 31 March 1985, we understand that a complete count of all securities held for safekeeping was carried out during the 1986 fiscal year. We will review the results of this count in the course of our 1986 audit.

Report	Section, Paragraph	Subject	Status as at Date of Preparation of the 1986 Annual Report
1985	4.7	Treasury Board approval should have been obtained for spending excess expenditure recoveries.	During the past year the Government provided further guidance as to the approvals necessary for the spending of excess recoveries. Recoveries reviewed during the 1985 fiscal year were accounted for in accordance with these guidelines.
1985	4.10	While it is the ministries' responsibility to obtain required approvals for reallocation of funds, the extent of unauthorized spending would suggest that improved monitoring of such transactions is called for to ensure that Treasury Board rules are being observed.	The Government's July 1985 Response to my 1985 Annual Report stated that "The importance of complying with policy on this point is recognized." However, our audit work in the ministries for the 1985 fiscal year determined that this was still an unresolved problem. We noted that seven ministries had made transfers between pools of standard objects or between sub-votes without the required approval of Treasury Board, for a total amount in excess of $7 million. We have recently been advised that a monitoring system is being put into place at the Office of the Comptroller General for the 1986 fiscal year, which we will review for adequacy during our 1986 audit.

Report	Section, Paragraph	Subject	Status as at Date of Preparation of the 1986 Annual Report
1985	4.17	All trust assets administered by the Government that are held through and in the Government's main bank account should be segregated from the assets of the Government.	No change. See also paragraphs 3.50 to 3.54.
1985	4.20	Ministries should ensure that custodial deposits are properly accounted for, remain current and comply with legislative requirements.	No significant problems noted at 31 March 1985, but there is still room for improvement in certain ministries.
1985	4.25	No call loans to be made to investment dealers until the legal status of such loans is clarified. Compliance with the provisions of the Financial Administration Act should be clearly established with respect to future investments. Also, investments should be properly disclosed in the Government's financial statements.	Since the date of my 1985 Report the Financial Administration Act has been amended to permit call loans to be made. At 31 March 1985 investments were properly disclosed in the Government's financial statements.

Report	Section, Paragraph	Subject	Status as at Date of Preparation of the 1986 Annual Report
Ministry of Energy, Mines and Petroleum Resources			
1983	3.23	Failure to follow prescribed procedures in the safekeeping of trust assets resulting in the Ministry being unable to demonstrate that trust assets received were properly accounted for.	Prescribed procedures are now being followed.
Ministry of Human Resources			
1983	3.33	Deficiencies observed in the systems of internal control for the Income Assistance program.	While some improvement was noted, the systems of internal control for the Income Assistance programs remained substantially unchanged during the 1985 fiscal year. The Ministry implemented part of a new Gain Payment System in October 1985. This, together with systems changes scheduled for implementation in 1986, is intended to provide adequate control.

Report	Section, Paragraph	Subject	Status as at Date of Preparation of the 1986 Annual Report
Ministry of Provincial Secretary and Government Services			
1982	3.16	Centralized leave management system not accurate or reliable, and duplicated by manual systems maintained in ministries.	No change. Problems continue in most ministries.
1983	3.30	Payments of printing and stationery invoices by the Queen's Printer without proper evidence that the goods were received directly by the various ministries.	The problem has been corrected. Sufficient evidence is now obtained prior to invoices being approved for payment.

Report	Section, Paragraph	Subject	Status as at Date of Preparation of the 1986 Annual Report
PUBLIC BODIES			
Superannuation Commission			
1985	8.10	The Commission has recognized that further improvement to the accounting and financial operations is required, and has taken steps to identify the corrective measures needed. The effectiveness of these actions will continue to be monitored.	We have noted a significant improvement in the quality, comprehensiveness and timeliness of financial information provided by the Commission.

Part 3

COMPREHENSIVE AND SPECIAL AUDITS

PASSENGER VEHICLE TRAVEL

The Purpose of this Audit

5.1 This comprehensive audit is concerned with passenger vehicle transportation by employees of provincial ministries. It seeks to answer two questions:

- Has passenger vehicle travel been done economically in the recent past?
- Are current policies and practices appropriate to achieve value for money in the future?

The Scope of this Audit

5.2 The audit addresses transportation in passenger vehicles such as cars and light trucks. It includes travel in government vehicles, privately-owned vehicles, rented vehicles, taxis and buses, but excludes use of specialized vehicles like ambulances, surveillance units, motorcycles, snowmobiles and graders. It also excludes travel by air, water or rail.

A Profile of Government Travel

5.3 Reasons for employee travel in passenger vehicles include:

Usual job function	67%
To attend meetings	19%
Driving to and from work	6%
To attend training sessions	5%
Other	3%

5.4 This audit does not question the initial decisions to travel. It takes the needs for travel as given and focuses on the value achieved from the way those needs are met.

5.5 In 1985, employees of provincial ministries travelled approximately 150 million kilometers in the following types of passenger vehicles:

Government vehicles	80%
Private vehicles	17%
Rented vehicles	2%
Public transportation	1%

5.6 The Province owns about 6000 passenger vehicles, or about one vehicle for every 6 employees. This represents a reduction in the number of vehicles of approximately 25% over the last three years, in line with the reduction in the number of employees over the same period. At present, there are four distinct fleets. The Ministry of Transportation and Highways, the Ministry of Forests and the Ministry of Lands, Parks and Housing administer fleets to meet their own needs. The Ministry of Provincial Secretary maintains a fleet to service all other provincial ministries.

	Provincial Secretary	Transportation and Highways	Forests	Lands, Parks and Housing
Cars	1,725	238	109	57
Pickup Trucks	390	996	702	155
Vans	341	341	117	17
Crewcabs	14	401	95	7
Other	185	0	87	4
	2,655	1,976	1,110	240

5.7 Currently, over three-quarters of the fleet is 5 years old or older, as is shown below:

Model Year	Number	Percent
1985	500	8.4%
1984	239	4.0%
1983	37	0.6%
1982	552	9.2%
1981	1,310	21.9%
1980	1,157	19.3%
1979	524	8.8%
1978	818	13.7%
1977	598	10.0%
Prior	246	4.1%
	5,981	100.0%

5.8 Roughly one-half of the travel in government vehicles is done on paved highways, a third represents city driving, and most of the remainder is done on gravel roads. About 2% of the travel is done off roads.

5.9 In addition to travel in government vehicles, over half of the provincial employees used their own cars to travel about 26 million kilometers in 1985, for which they received about $6 million. About three-quarters of the people who drive their own cars on government business used them for less than 3000 kilometers a year.

Audit Methodology

5.10 The findings in this report are based on:

- analyses of vehicle data bases;
- a survey of provincial employees;
- interviews with fleet managers and others involved in transportation management;
- review of written documentation; and
- use of fleet management consultants.

Overall Assessment

5.11 We found that the Government does not have sufficient reliable information to demonstrate whether it has achieved value for the money spent on passenger vehicle transportation in the past. This need for information has been recognized and steps are being taken to obtain the data. In addition, fleet management is coordinated better than in the past so some improvements can reasonably be expected in the future.

5.12 However, in our opinion, passenger vehicle travel in the recent past has not been done in an economic manner, and changes to current policies and practices are required to achieve value-for-money in the future. Further, in our opinion, the current circumstances are such that this is an opportune time to make the necessary changes.

Audit Findings and Recommendations

5.13 In this section of the report, we take a more detailed look at the economies achieved in the recent past from each of the major types of passenger vehicles: government vehicles, privately-owned vehicles, rented vehicles and public transportation. We then review some important recent activities, and we assess the current situation. Finally, we address the issue of future passenger vehicles travel by provincial employees.

Looking Back...

GOVERNMENT VEHICLES

5.14 In looking at the Government fleet, our objective was to determine whether the Government maintains the right numbers and types of vehicles, and whether the costs of maintaining the fleet are in line with industry norms. These are discussed in turn below.

Numbers and Types

5.15 Using a reasonable fleet management standard for a fleet comparable to the Government's, vehicles would be replaced after 100,000 kilometers or 5 years, whichever comes first. In other words, to achieve an optimum balance of maintenance costs, depreciation expense and availability, vehicles should be driven an average of 20,000 kilometers a year. Vehicles with low utilization in one year would be exchanged with others of the same type which were driven over longer distances that year. In this way, although a well-managed fleet could have many vehicles with utilizations falling outside the "normal" range of say 15,000 to 25,000 kilometers in any given year, most of the vehicles would average around 20,000 kilometers per annum over the period they are retained. If a particular type of vehicle had lower average annual utilization, it would be an indication that too many of that kind of vehicle were held.

5.16 Reliable utilization reports are not routinely generated for most of the provincial fleet. The records for the three largest fleets are computerized, but one computer system is only in its first year of operation and the utilization data is not considered to be reliable. Another is presently being converted to a different computer system and as a result, no utilization reports have been generated in the last year.

5.17 Although utilization reports are not routinely produced, there are some policies and procedures in place to encourage utilization of vehicles. In particular, one system in use ensures economy and efficiency of the fleet if each person acts in the best interest of his own cost center. Under this system, vehicles are "rented" to each center, which is charged a flat monthly fee by head office administration whether the vehicle is used or not. This internal charge includes gas, oil, maintenance and all other costs, so the cost center manager is encouraged to keep his vehicles well maintained and fully utilized. The only way to avoid the rental fee is to advise the central

"rental agency" that the vehicle is no longer required and that it is available to be used elsewhere.

5.18 Because reliable utilization reports are not routinely produced by most of the fleet management systems, we analyzed the databases to produce our own. In doing this work, we found that over 16% of the vehicle records have no lifetime distance information. In addition, the information in several of the remaining records is suspect since they indicate negative travel in some years or fuel and oil costs with no recorded travel. Nonetheless, these databases contain the most reliable, readily available information about government vehicles.

5.19 We found that more vehicles fall within the "normal" range of 15,000 to 25,000 kilometers per year for lifetime average distances than for current year travel. This indicates that vehicles have been moved between high and low travel regions from year to year - a good fleet management practice.

5.20 However, only 42% of the lifetime average distances fall within the "normal" range. While some vehicles have lifetime average distances in excess of 25,000 kilometers, 45% of them were driven on average less than 15,000 kilometers per year.

5.21 A breakdown of our analysis of lifetime average distances, ignoring vehicles with no recorded odometer readings, is as follows:

	Number	Less than 15,000 km	15,000 to 25,000 km	Over 25,000 km
Cars	1868	61.3%	33.0%	5.7%
Pickup Trucks	1841	30.2%	50.3%	19.5%
Vans	597	50.1%	37.5%	12.4%
Crewcabs	451	28.3%	45.7%	26.0%
Other	251	47.8%	44.2%	8.0%
All Vehicles	5008	44.9%	41.6%	13.5%

5.22 In spite of the inaccuracies in many of the detailed records, it is our assessment that the province could have reduced further the number of vehicles in virtually all categories of its fleet, particularly the cars.

5.23 In this regard, it should be noted that there are four distinct vehicle fleets in the Province, and that currently these fleets do not share vehicles except to a very limited extent. To achieve good utilization of vehicles on a province-wide basis, either fleet management should be centralized or coordination between the fleets should be improved, and reliable utilization reports should be prepared and monitored on a periodic basis.

Costs

5.24 There are two categories of vehicle costs: holding costs and operating costs. Holding - or fixed or ownership - costs include depreciation, cost of money, insurance and administration. Since these costs are primarily a function of time rather than of distance, they typically are referred to in terms of dollars per annum. Operating costs consist primarily of fuel, oil, tires, repairs and maintenance. Operating costs sometimes are called variable costs since the dollars vary with the distance travelled, and hence they usually are referred to in terms of cents per kilometer.

5.25 As previously indicated, the government vehicle databases are incomplete. Those records which contain holding cost information may have incomplete operating costs information and/or incomplete distance information. This is a severe handicap for the fleet managers. It also makes it extremely difficult to determine the actual fleet costs for purposes of comparing them to industry norms.

5.26 We found that 3242 vehicles, or 54% of the government fleet, had holding cost information. We calculated holding costs of about $4.7 million a year for these vehicles, which is significantly less than the $7.9 million per annum which would have been incurred had the same numbers and types of vehicles been held in a comparable fleet in industry.

5.27 The annual savings in holding costs is actually somewhat lower than $3.2 million since certain actual administrative costs are not readily available from government records. In addition, natural gas conversions or major repairs which extend the useful lives of the assets and which normally are accounted for as holding costs, usually are recorded by the government as operating costs. And since the Province only carries basic insurance on its vehicles, certain repair costs which are recorded as operating costs by the Province are comparable to the insurance premiums included in the holding costs of a typical fleet in industry. Nonetheless, it appears that the holding costs actually incurred by the Province have been lower than the norm.

5.28 The main reason for the lower than average annual holding costs is that the Province has been retaining vehicles much longer than the norm of 5 years. The relatively low purchase prices on older vehicles, together with the longer period of time to spread the costs over, results in lower annual depreciation charges for government vehicles. In addition, the cost of money is lower because of the relatively low market value of the older vehicles in the provincial fleet.

5.29 The holding cost savings would have been even greater, however, had administrative costs been more in line with the norm. The Province employs about one head office person to administer every 100 vehicles, but in the private sector, one administrator might look after two or three times as many vehicles. This is due primarily to the overlaps in efforts to develop and maintain four separate fleet management systems, none of which are fully integrated with the Government's main accounting system or with each other.

5.30 Although holding costs appear to be lower than the norm, we found operating costs to be significantly greater, largely because of the same decision to retain vehicles over a longer period of time. For the 3308 vehicles for which sufficient operating cost information is readily available, about $8.3 million was incurred in fuel, main-

tenance and other variable costs in 1985. A comparable fleet in industry driving the same distance in British Columbia would have incurred only about $3.4 million in operating costs, since that distance would have been driven in newer, more fuel efficient vehicles with warranties still in effect. In terms of cents per kilometer, the databases show a weighted average lifetime operating cost of 21.8¢ per kilometer, whereas the comparable weighted average industry figure is 9.1¢ per kilometer.

5.31 Once again, the difference between provincial fleet and industry standard operating costs is not as great as is indicated above. Information contained in the databases, while the best information readily available, is suspect for many vehicles. For instance, several of the records summarized show no current year kilometers. Also, as previously mentioned, the province records major repairs and the repairs relating to self-insurance as operating costs although the comparable industry costs are included with holding costs. These types of problems with the data serve to overstate the amount of the difference. Notwithstanding these inaccuracies, we believe the costs of operating the government fleet have been in excess of the norm.

5.32 Because those vehicles with holding cost information are not necessarily the same vehicles which have operating cost information, and because of the relatively large volume of missing or suspect data, it is difficult to assess whether the total holding and operating costs of the government fleet have been reasonable. However, it appears that the total costs of the government fleet have exceeded the norm and further, that they have exceeded what would have been paid at the current reimbursement rates for using private vehicles over the same distance.

5.33 A large part of the higher costs of the government fleet can be attributed to the relatively long retention period for government vehicles. We believe this long retention period in turn can be attributed at least in part to the Government's accounting policies. Government vehicles are expensed in the year they are purchased. In any given

year, the purchase price of a replacement vehicle will exceed the cost of additional repairs necessary to keep the existing vehicle on the road for another year. Thus, replacements appear to be more expensive in that year, even though they may be cheaper in the long run.

Personal Use of Government Vehicles

5.34 The Province has explicitly prohibited personal use of government vehicles, except by isolated field crews where covered by a collective agreement. The ministries can and do deal with individual cases of abuse which are brought to their attention, but there is no cost-effective means of enforcing the personal use policies. We believe that the personal use policies and the means chosen to enforce them are appropriate in the circumstances. But the potential for abuse of the personal-use policies could be reduced by restricting access to government vehicles outside of regular business hours.

5.35 Government vehicles are sometimes taken home by employees. This practice must be authorized on a case-by-case basis and is permitted where, for instance, an employee is on call or where there is no safe overnight storage facility at the Government workplace. This portal-to-portal travel in government vehicles is considered to be business travel, although it generally would be considered to be personal use in the private sector. Portal-to-portal distance is not captured or summarized in government records. However, our questionnaire results indicate that over 9 million kilometers are travelled annually by employees driving to and from work in government vehicles, three-quarters of which is in government vehicles which have been assigned to specific individuals for their exclusive use.

5.36 No studies have been done to demonstrate conclusively whether or not the portal-to-portal travel is justified by actual call-backs, vandalism at the government workplace or other stated reasons for allowing the practice.

PRIVATELY OWNED VEHICLES

5.37 Employees who drive their own vehicles on government business are reimbursed at the rate of 25¢ per kilometer for the first 16,000 kilometers and 12¢ per kilometer on the excess. These uses are reported on travel vouchers together with claims for other business expenses, but they are not separately captured or summarized.

5.38 The rates used to reimburse use of privately-owned vehicles are established as part of the collective bargaining process. Those employees who are not covered by a union contract are paid the same amounts.

5.39 Reimbursements for use of privately-owned vehicles may include an incentive to encourage that form of transportation, or may include some compensation or benefit element, or may represent a pure offset to costs. We believe that the reimbursement rate should most appropriately represent a fair, accurate and defensible offset to the employee's costs of using their privately-owned vehicles for government purposes.

5.40 The costs of operating a vehicle differ greatly from the employee who uses his vehicle on government business for only a few days and a total distance of 100 kilometers a year, to an employee who drives his vehicle daily over long distances. The first employee would incur only the cost of gasoline, whereas the second would have much greater operating and holding costs associated with the business use of his vehicle. An accurate reimbursement method which was fair to the employee and fair to the taxpayer would have to reflect these differences.

5.41 Thus, drivers would first have to be categorized based on criteria such as job title and function, frequency of use and annual distance. We analyzed our questionnaire results using frequency of use and annual distance as reported by our respondents to segment the drivers of personally-owned vehicles into three categories: occasional

drivers, routine drivers and full time drivers. We then applied the reimbursement rate standards provided by our consultants for these categories of drivers in British Columbia.

5.42 We calculated that the Province paid about $1.5 million, or 33%, more than the estimated actual costs of operating privately-owned vehicles on government business in 1985.

5.43 The Province has considered using the type of reimbursement system used in our analysis and it has acknowledged that such a system would be more accurate. However, the approach was rejected because it was felt that the administrative costs involved would outweigh the benefits.

5.44 We believe the Province should re-examine the costs and benefits of reimbursing its employees for the business use of privately-owned vehicles in a fair, accurate and defensible manner. We also recommend the usage of private vehicles be summarized and reported to enable effective management of passenger vehicle needs.

RENTED VEHICLES AND PUBLIC TRANSPORTATION

5.45 Government policies state that rentals are the least preferred means of meeting passenger vehicle needs and in fact, we found employees only rent vehicles to cover about 2% of their in town travel needs. About one-half of the time, vehicles are rented for periods of two weeks or less, while a quarter of the time they are rented for two months or more. Rental rates vary widely from company to company and across the province. Over a third of the respondents to our questionnarie who indicated that they did rent a car in 1985 said that they paid in excess of $30 a day plus mileage.

5.46 On the other hand, government policies state that public transportation is the preferred means of travel. Public transportation is to be used wherever possible unless it is not feasible or less economic or efficient to do so.

We found the actual use of public transportation to be less then 1% of total uses of passenger vehicle transportation. It seems unlikely that public transportation has been used in all cases where it has been feasible and economic to do so.

5.47 Once again, information about rentals and public transportation is not separately captured or reported, even though these represent valid options for meeting the Government's travel needs. However, since the use of rentals and public transportation has been so limited, there has been no pressing need for this information in the past.

Looking Forward

RECENT ACTIVITY

5.48 Several major changes have been made in recent years which will affect future value-for-money in the area of passenger vehicle travel.

- In December 1983, government vehicle policy was thoroughly reviewed, resulting in a number of important improvements in transportation management.

- In March 1984, the Ministry of Provincial Secretary assumed overall responsibility for the entire provincial fleet, and immediately began to implement systems to monitor and control those fleets which were not already being administered by the Ministry of Transportation and Highways, the Ministry of Forests or the Ministry of Lands, Parks and Housing. Virtually all of the types of information relating to government vehicles which were missing at the time of our audit will be produced by these systems.

- A Vehicle Management Advisory Committee consisting of the fleet managers of the four major government fleets as well as representatives from the central

agencies has been formed to coordinate development of policies and resolution of transportation issues on a government-wide basis.

- Ministries are required to submit annual fleet plans outlining their anticipated needs for government vehicles. These are reviewed on a government-wide basis.

- Blanket rental agreements with major car rental agencies have been negotiated at very favorable rates.

- Leasing government vehicles to a much greater extent than in the past is being considered seriously as a cost-effective alternative to ownership.

5.49 While these activities are certainly worthwhile, they each tend to deal with single aspects of transportation management. Although the fleet size has been reduced and fleet management is now consolidated in four ministries instead of many, most attention still is being devoted to capturing information about the current government fleet. Efforts are being made to address the larger picture of total transportation management, but these efforts are not likely to result in dramatic changes to the way the Province satisfies its needs for passenger vehicle transportation in the near future.

THE CURRENT SITUATION

5.50 The government fleet is old and will need to be modernized in the near future if it is to continue to meet most passenger vehicle travel needs. But our analysis indicates that using government-owned vehicles may not represent the most economic means of transporting provincial employees. The Province could take advantage of the current window of opportunity to change the mix of government vehicles, private vehicles, rented vehicles and public transportation to achieve greater value from passenger vehicle travel in the future.

THE FUTURE

5.51 There is no assurance that value-for-money will be achieved from passenger vehicle transportation in the near future.

5.52 The fundamental issue of determining the optimum mix of alternative modes of meeting travel needs is difficult to resolve because responsibilities and authorities for various aspects of transportation management are assigned to numerous people. There is a Vehicle Management Advisory Committee which attempts to coordinate individual efforts, but fleet management is the responsibility of four separate ministries, and a sixth group is responsible for establishing the reimbursement rates for uses of privately owned vehicles. We believe that one individual should be assigned overall responsibility and authority for dealing with all aspects of transportation management.

5.53 Until the optimum mix issue is addressed, the government fleet will likely continue to service the majority of the needs, even though it may be more costly to do so and even though the vehicles in the fleet may be underutilized. Both the standards provided by our consultant and our analysis of the Government's experience indicate that using privately-owned vehicles is more economical than travelling in government vehicles. This would indicate that it would be advantageous to make a shift towards greater use of privately-owned vehicles, as is the current trend in the private sector.

5.54 To make this shift, it will be necessary for those government employees who travel on government business to have a car available and to be reimbursed in an equitable manner. Thus, having an automobile available for business use may be a condition of employment for many employees. This is inceasingly the case in the private sector and it is now a condition of employment for some government positions.

5.55 In addition, it will be necessary to establish a reasonable policy framework within which employees will be fairly reimbursed for business uses of their vehicles. As previously stated, we believe the reimbursement should be a fair, accurate and defensible offset to the costs of using privately owned vehicles for government purposes. Such a system would be fair to the employee and fair to the taxpayer.

5.56 The rates currently paid to most employees for using their own vehicles on government business are included in a union contract. As such, they have been fixed for the terms of the contracts. Whether or not the rates remain in union contracts, they should allow flexibility to respond to changing fuel and other costs, and they should reflect the different costs which apply to the different categories of drivers.

5.57 Although a shift towards greater use of privately-owned vehicles is desirable, there will continue to be a need for some government vehicles. Current efforts to capture information about the government fleet should be continued, but they should be expanded to include information about all types of passenger vehicle transportation. Further, such information should be compared to cost and utilization standards to ensure effective transportation management.

ADDITIONAL WORK REQUIRED

5.58 Our audit found that a great deal of information crucial to effective fleet management is not readily available. We obtained some of the missing information through our questionnaire survey, but many of our assessments, conclusions and recommendations have been based on the limited information which is available in the government vehicle databases.

5.59 Accurate information about the government fleet will not be available for several years, but the fleet requires serious attention immediately. We believe that using reasonable assumptions to fill in the gaps and arrive at a more complete picture of what has happened in the past, together with an assessment of projected future travel needs, would provide a sufficiently reliable basis for making management decisions on transportation policies for the future.

5.60 Because of the significance and relative urgency of this matter, we recommend that the Government not wait for accurate information from the vehicle management systems, but rather proceed immediately to impute the unknown information and to quantify the effects of possible alternative future courses of action.

Acknowledgements

5.61 We are indebted for the cooperation extended to us by all of the persons we interviewed during this audit, particularly the members of the Vehicle Management Advisory Committee. Our thanks also are extended to the Executive Financial Officers and Deputy Ministers who sent covering letters with our questionnaires and to the numerous people who took the time to respond to them. We also thank Dr. McDavid at the University of Victoria for the comments he provided on our questionnaire design and sampling methodology. Finally, special thanks to our consultants, Runzheimer Canada Inc., for the expert advice provided throughout the audit.

MINISTRY OF LANDS, PARKS AND HOUSING

6.1 The mandate of the Ministry of Lands, Parks and Housing is stated in its annual report.

> To manage and allocate Crown lands in the Province of British Columbia, to maintain and improve a quality system of parks, and to encourage the best use of Crown land for agriculture, housing, industry, commerce and recreation within the Province of British Columbia. To manage and develop housing programs to serve British Columbians.

6.2 Exhibit 1 presents the resource allocation for the Ministry's main programs as budgeted for the 1986 fiscal year. In addition to the annual appropriation voted by the Legislature, ministry programs utilize the resources of two special purpose accounts - the Crown Land Account and the Provincial Home Acquisition Account. A third special purpose account, the University Endowment Lands Administration Account, provides for the operation and management of the University Endowment Lands in Vancouver which are administered by the Ministry. The expenditures from these accounts are included in Exhibit 1.

6.3 The Ministry has reduced its staff levels from those of the early 1980's. A significant portion of this reduction was achieved in the Parks and Outdoor Recreation Division of the Ministry.

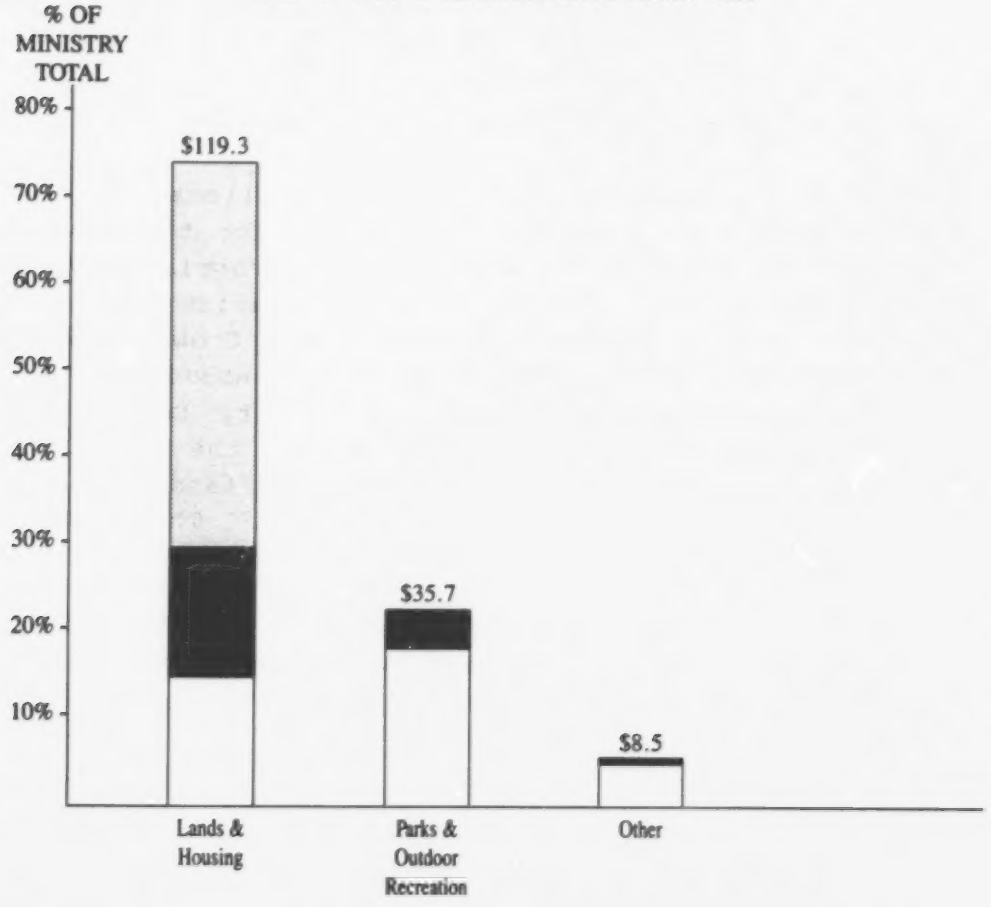
Audit Projects

6.4 Our audit of the Ministry of Lands, Parks and Housing did not include all activities of the Ministry but rather concentrated on six areas of ministry operations which both we and ministry staff considered of sufficient importance for specific attention. The audit projects undertaken focussed on three program areas.

- Crown Lands
- Parks
- Social Housing

Exhibit 1

ESTIMATED MINISTRY EXPENDITURES
FOR THE FISCAL YEAR ENDING 31 MARCH 1986



Voted appropriations (Total — $58.5 Million)

Expenditures of an operating nature from Special Accounts (Total — $33.0 Million)

Expenditures of a financing nature from Special Accounts (Total — $72.0 Million)

6.5 We also reviewed three other aspects of ministry operations:

- the Crown Land Special Account;
- computerization; and
- financial management and control.

6.6 Our field work on the first five projects was completed by June 1985. The sixth project, the review of the ministry's financial management and control, was undertaken later and concluded in October 1985. The Ministry has received detailed reports on the results of our work.

6.7 In this Report we have included a section on each of the six projects undertaken. Each section contains some brief background information about the area being audited, our audit objectives, and our audit conclusions. In addition, some of our audit findings are included in each section. These are presented to give the reader an appreciation for the reasons for our conclusions.

6.8 Before our audit began, management of the Ministry already had identified areas where they felt improvements were required. In many cases they were working to make improvements before our audit began. In other cases, management started to correct the problems during our audit.

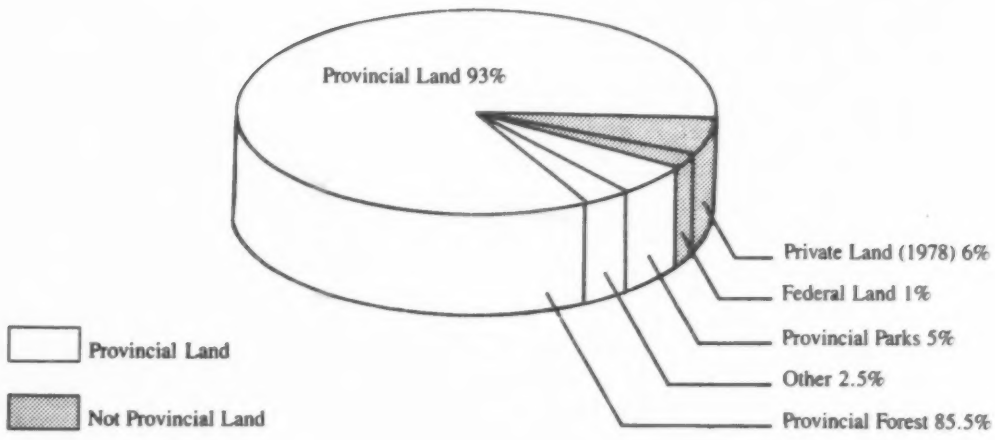
CROWN LAND ADMINISTRATION

6.9 Land is a major public resource in British Columbia. Exhibit 2, which depicts the ownership of land in the Province, shows that 93% of the Province's area is owned by the Crown.

6.10 The Ministry of Lands, Parks and Housing has overall responsibility for administering the Crown land resource of the Province. Management of the natural resources on these lands rests largely with other agencies.

Exhibit 2

LAND STATUS IN BRITISH COLUMBIA — 1984



6.11 Exhibit 2 indicates that the Ministry of Lands, Parks and Housing directly administers 7.5% of the provincial area. Of this, 5% is provincial parks. The remaining 2.5%, or 2,050,000 hectares, is managed through the Ministry's lands program.

6.12 Of the land area managed by the Ministry in its lands program, about one-fifth has been allocated for specific purposes. This has been done through leases and licences wherein the Province retains ownership of the land.

6.13 The remaining 80%, or 1,620,000 hectares, of the provincial area administered by the Ministry's lands program is largely allocated to a variety of existing resource uses, but where appropriate, remains available for additional sales, leases and licences. Each year this Crown land base is reduced by approximately 26,000 hectares through land sales and grants. There are frequently competing claims for this land, particularly the more productive lands. This results in a formidable administrative challenge for the Ministry.

Audit Objective

6.14 Our audit was designed to report:

- whether the Ministry's systems of administration provide reasonable control over Crown lands; and
- whether the Ministry provides the Legislative Assembly with sufficient, reliable information on Crown land and on its stewardship of the land it manages.

Conclusion

6.15 We have concluded that the Ministry lacks a comprehensive inventory of the land under ministry management and effective policy guidance. Both of these are required for

proper Crown land management. However, although they could be strengthened, the systems used by the Ministry to make individual decisions about Crown land dispositions are adequate to keep these decisions reasonably consistent.

6.16 The Ministry has recognized the need for a comprehensive inventory of Crown land and is working satisfactorily towards developing one. But management of the Crown land asset will continue to be more arbitrary than necessary until acceptable guiding policy is in place.

6.17 We also found that the Ministry does not report adequately to the Legislative Assembly or to the public about the Crown land under its administration.

Land Inventory

6.18 There are various possible uses for much of the land administered by the Ministry. The Government and the Legislature set the policies that define how the land will be used. For them to gain an understanding of the issues they face and to decide on the proper course to follow, they need to know the extent of the land available, the location of that land, and its qualities or characteristics. Ministry staff also require this information to manage and control land dispositions. This land inventory information has not been compiled.

6.19 Until 1980, the Ministry managed Crown land using only manual information systems. The information base was vast and fragmented. It existed in various forms, including records, maps and texts, and at various locations throughout the Province. These systems provided no assurance that up-to-date information about a particular piece of property existed in any one location at any given time.

6.20 The data in the system, however, permitted ministry staff to determine the legal status of any individual piece of property when a request about it was received. As a result, the information base was adequate for the Ministry to process individual transactions. However, while the database did allow staff to react to specific requests, it did not provide an overall inventory of the Crown land being managed by the Ministry.

6.21 The Ministry has recognized the need for better information about the land it manages. Since 1980 ministry staff have been working to consolidate and upgrade the Crown land information base. This process involves computerizing the data using sophisticated equipment and techniques.

6.22 At the current rate, the Ministry will require another five years or so to complete its automation of the Crown land information. Although this may seem a long time, we believe this pace is acceptable given the size of the project and the additional risks involved in attempting to move more quickly.

Control over Crown Land Dispositions

POLICY GUIDANCE

6.23 During our audit we also examined whether the Ministry's systems of financial and management control provide reasonable assurance that the land disposition program is delivered reliably.

6.24 Under the Crown land disposition program the Ministry sells, rents or grants parcels of Crown land to individuals, companies, municipalities or other public agencies. There is a wide range of policy alternatives which might be adopted with regard to the disposition of Crown land. These extend from the position that all Crown land should be transferred to private ownership as quickly as possible, to the position that all Crown land should be retained in the public domain forever.

6.25 Proper control should ensure that decisions on land dispositions conform with stated policy. The policy in turn should conform with the direction provided by the Legislature through statutes.

6.26 There are two principal pieces of legislation respecting Crown land dispositions. The Land Act permits the Minister of Lands, Parks and Housing to dispose of Crown land subject to compliance with fairly specific statutory guidance provided in the Act and regulations. However, the second piece of legislation dealing with Crown land disposals, the Ministry of Lands, Parks and Housing Act, renders moot the provisions of the Land Act by stating that, "Notwithstanding the Land Act ... the minister may, on terms and conditions he considers appropriate ... dispose of Crown land and establish procedures regulating its disposition ...".

6.27 The legislation therefore, while providing specific guidance in one Act, in another permits the Minister to override the specific guidance and to dispose of land in the manner he sees fit. Likewise, although the Government has enunciated a few guiding principles which are to be followed generally, these principles are not specific and provide the Ministry with a significant amount of discretion. Further, although the Ministry has prepared written policy manuals, the policies they contain are subject to frequent changes and are open to differing interpretations.

6.28 Accordingly, we found that although the legislation and the Government's guiding principles provide guidance to the Ministry, and although the Ministry has devoted a substantial amount of effort to developing policies, not all Crown land dispositions are made according to the same standards. We do not believe policies must be firm and rigid. They need to be flexible enough to permit prudent management of the Crown land resource. However, the policies should also be specific enough to guide Ministry

actions and to provide the public with sufficient information to gauge the Ministry's management of the Crown land asset.

CONSISTENCY OF CROWN LAND DISPOSITIONS

6.29 As part of our audit we planned to assess the controls designed to ensure that individual land disposition decisions conform with policy. In the absence of adequate policies, the Ministry's systems can only provide assurance that these decisions are consistent, one with another.

6.30 The legislation applicable to Crown land gives the Minister authority to dispose of Crown land. However, in practice this ministerial authority is delegated to ministry staff. During the course of a year the Ministry makes thousands of decisions concerning Crown land dispositions. This level of activity precludes the involvement of the Minister in each decision and necessitates delegated decision making.

6.31 Also, because the land by its nature is located throughout the Province, the staff who deliver the land disposition program are decentralized. Having staff located where dispositions are made enhances the level of service the Ministry is able to provide and improves program efficiency.

6.32 In addition, because overall policy guidance is not available to the staff making land disposition decisions, they are left to make these decisions using their own judgement. Because of the number of variables involved in each case, the amount of discretion that staff are required to exercise is significant. Whether a specific piece of Crown land should be retained or disposed of, whether the land should be used for a particular purpose, whether the land should be sold or rented, and what price the user should pay are all subjective decisions.

6.33 These factors - delegated authority, a decentralized organization and the requirement to use judgement - all combine to provide the Ministry with a considerable control challenge.

6.34 The Ministry has attempted to meet this challenge by establishing a control system designed to ensure that the land disposition program is delivered consistently. This control structure relies heavily on three key features.

6.35 First, the Ministry relies on trained professional staff to exercise the judgement inherently required by the program. The land disposition program is delivered by approximately 80 people mainly working as land officers or examiners in the Ministry's eight Lands and Housing regional offices. Each of these individuals has received on-the-job training, and those making land disposition decisions have post-secondary educations in related disciplines.

6.36 Second, the Ministry has developed a system and related procedures for processing regular land dispositions. This system relies primarily on detailed, Province-wide, written policy and procedures manuals together with supervisory reviews.

6.37 Third, a process has been established to handle nonroutine requests for Crown land. In these cases the request is not handled using the written policy and procedures manuals. Rather, once a request is identified by field staff as unusual in some way, a separate less formalized system which relies on the knowledge and experience of senior staff is used to make decisions.

6.38 We found that these measures, which are designed to provide reliable land disposition decisions, do provide a reasonable degree of consistency. However, the control features function with varying degrees of success.

6.39 With respect to the first control feature, we agree that regional delivery through professionally trained staff is suited to making the subjective decisions inherent in the program.

6.40 However, the second control feature is not as well suited to the program. The Ministry has tried to develop very specific manuals. But because of the wide variety of factors involved and the amount of judgement demanded of staff making land use decisions, it is impractical to develop manuals which are comprehensive enough to cover all possible situations. One piece of land does not have exactly the same characteristics as another and, in British Columbia, there are distinct regional differences in the demands for land and in the circumstances in which it might be proper to make land available. Therefore, even though the Ministry's written policies and procedures are detailed, we found that they do not include all situations encountered by staff and that various sections appear to be contradictory. Also, because of the large number of changes made to policy, a significant portion of the manuals is out of date at any given time. As a result staff encounter cases which require them to make decisions without written guidance. In situations where significant judgement is required and one set of circumstances is never exactly like another, detailed and specific written manuals may not be the best form of guidance. Rather, having staff share a common understanding of the principles to be used to guide decisions may often prove to be a more effective management control.

6.41 In addition, supervisory reviews must be detailed to be effective because of the subjective and complex nature of the land disposition decisions. However, the high volume of applications and lean regional staffing prevent such a comprehensive review being conducted on a meaningful number of files.

6.42 There are also difficulties with the third control feature, the process established to handle nonroutine requests for Crown land. Field staff do not have a common understanding of what constitutes a nonroutine request which should be channeled into the exception process rather than handled in the normal way. Therefore applications of a similar nature may be considered routine by one staff member but treated as nonroutine by another staff member in the same or another office.

6.43 Moreover there is no assurance that those applications that actually get into the system for nonroutine requests will be decided in a consistent way. The criteria to be used in decision making and the standards to be met are not delineated anywhere. Therefore each decision maker may determine for himself what factors are relevant in a given case and the relative importance of these factors.

6.44 Our work in this area was designed to determine whether the Crown land disposals administered by the Ministry are reasonably controlled. We concluded that, although they could be strengthened, the controls are adequate to achieve a reasonable degree of consistency in individual land disposition decisions. But we also concluded that the overall policies are inadequate to provide reasonable control over Crown land dispositions.

Accountability Information

6.45 The Legislative Assembly is ultimately accountable for the administration of Crown lands. As a practical matter, it has delegated the stewardship of the Crown lands of the Province to the Government. In response, the Government owes the Legislature and the public an explanation of what it has done with this trust.

6.46 We found that the Ministry does not report adequately to the Legislative Assembly or to the public about the Crown lands under its administration. The Ministry faces a major problem in developing the required accountability

information without information about the inventory of Crown land it manages. As indicated previously the Ministry now is making a major effort to acquire this information.

6.47 Another important aspect of accountability relates to the dissemination of program descriptions and results. Those members of the public wishing to acquire Crown land are able to get information about disposition programs. However, it is important that the public at large also have an accurate understanding of Crown land and ministry programs as it is the public's resource which is being used. In addition, an accurate public perception of Crown lands is important in making optimum disposition decisions since a public misinformed about Ministry programs or the state of the Crown land inventory may exert pressure for inappropriate decisions.

6.48 The Ministry has recognized the need for improved communication and is endeavouring to be more active in explaining its programs and the state of the Crown land resource. Although it may be several years before the information required for acceptable public accountability is accessible, there are improvements that can be made now.

6.49 Several of these were recommended to the Ministry in our report on the ministry's annual report last year. The Ministry is striving to upgrade the information presented in its annual report and improvement is expected starting with the 1985 report.

CROWN LAND SPECIAL ACCOUNT

6.50 Our audit of Crown land included a review of the Crown Land Special Account.

6.51 The account originally began as the Housing Fund. Started in 1973, the Housing Fund was established over a period of years by monies provided through voted appropriations from the main fund of the Government, the Consolidated Revenue Fund. During the early years, the balance in the Housing Fund was rather limited and the purposes for which the monies could be used were quite restricted. Generally the Fund was used to finance specific projects related to housing. Most of the expenditures from the Fund were recoverable so that after an initial start-up period monies began flowing back into the Fund.

6.52 By 1978 the Housing Fund was self-sustaining with loan repayments, interest and other earnings being sufficient to finance further projects without the need for monies to be provided from the Consolidated Revenue Fund. Late in 1978, the Ministry of Lands, Parks and Housing was formed and the name of the Fund was changed to the Crown Land Fund. At that time the revenues of the Fund were expanded to include proceeds from the sale or lease of Crown land and the programs financed through the Fund were broadened to include financing land projects.

6.53 In 1980, the Government approved a further broadening of the use of the Fund to include non-recoverable expenditures.

6.54 Major changes were made to the Fund in 1982. The Crown Land Fund became a special account of the Consolidated Revenue Fund rather than a separate fund. At that time, the Account ceased to have assets in its own right because the Crown Land Fund's assets were transferred to the Consolidated Revenue Fund. With this change the Special Account represented a balance which was designated for those purposes formerly approved for the Crown Land Fund and which could be expended by the Government without further legislative approval.

6.55 Later in 1982, the Government also approved the use of the Account for administrative and overhead costs of the Ministry relating to land projects. These costs previously had been paid from the Ministry's annual voted appropriations.

6.56 Subsequently, the Account has been used to finance the British Columbia Home Program, computer acquisitions and parks capital expenditures.

Audit Objective

6.57 Our audit was designed to report:

- whether the Crown Land Special Account administered by the Ministry is reasonably controlled; and
- whether the Ministry provides the Legislative Assembly with sufficient, reliable information on the Crown Land Special Account.

Conclusion

6.58 The Ministry has complied with the Account's statutory requirements. However, we have concluded that the statutes governing the operation of the Crown Land Special Account do not provide the Legislature with adequate control over spending from the Account. Accordingly, we recommend that, to achieve the necessary control by and accountability to the Legislature, the Crown Land Special Account be eliminated and the uses formerly made of the Account be incorporated into the regular vote structure. Any funding required by the programs in addition to the annual voted amounts should be provided according to the provisions of the Financial Administration Act.

Control of the Crown Land Special Purpose Account

6.59 The Ministry of Lands, Parks and Housing Act gives the Minister the power to expend money out of the Consolidated Revenue Fund without further authority or specific appropriation from the Legislature and without any specific accounting to the Legislature.

6.60 In 1973, when the Crown Land Special Account was set up by the Legislature as a special purpose fund, it had restricted uses and restricted funds. Since then, through numerous changes, it has evolved to permit the Government to pay money for any ministry purpose to the extent of the Account which is currently approximately $345 million. Recently the expenditures from the Account have been increasing and the purposes for which monies are expended have become more varied. The Crown Land Special Account now provides more money for ministry programs than do voted appropriations and it funds a significant portion of the costs of operating the Ministry.

6.61 A basic tenet of the parliamentary system is the principle of legislative control over finances. The Legislature normally fulfills its role through discussion and approval of expenditures at the time they are proposed, and through a review of those expenditures after they have been made. However, the uses of Crown Land Special Purpose Account are not subject to the control and scrutiny of the Legislature. The Account has no specific purposes, has no annual vote, and has no formal accountability. But it does have resources amounting to about $345 million.

6.62 We believe the uses made of the Crown Land Special Purpose Account should be funded through the regular process of voted appropriations. In that way the expenditures currently made from the Account would be subject to the same scrutiny as other expenditures, and the activities currently financed through the Account would be forced to compete with all other programs for scarce government resources.

COMPUTERIZATION

6.63 In the fall of 1983, the Ministry of Lands, Parks and Housing began a major computerization project. The systems being developed were to meet significant business needs in the lands section of the Ministry, to accommodate decentralization of the financial function from the Office of the Comptroller General to the Ministry, and to enhance office automation. Certain aspects of this computerization were innovative with respect to standard government practice at that time.

Audit Objective

6.64 Our audit was designed to report:

- whether the process being used by the Ministry will ensure that the systems being developed will be effective.
- whether the systems are being developed economically.

Conclusion

6.65 We found that the systems development process being used by the Ministry should result in effective systems that will enable the Ministry to operate more efficiently in the future and to provide better service to the public.

6.66 However, we also found that the ministry executive did not exercise sufficient financial control over the project. Certain technical decisions were made at the beginning of the project without proper analysis of the costs, risks and alternatives, and specific enhancements were adopted for individual systems throughout the project without recognition of their full impact on the overall costs of the computerization.

Systems Effectiveness

6.67 The Ministry prepared a plan in the summer of 1983 at the outset of the computerization project. This plan correctly identified the most significant opportunities to make needed improvements in program delivery and it recommended an appropriate technical solution.

6.68 We found the process used to develop and install the individual systems followed sound project management practices. The Ministry handled the difficult chore of meshing the work and responsibilities of both users of the systems and people with technical skills particularly well compared to computer industry norms.

6.69 A number of the systems developed under the plan form an integral part of the Ministry's business operation and its major accounting system. As a result, adequate internal controls are important in these systems.

6.70 We found that the process used to develop and implement the new systems should provide adequate controls. The Ministry did not systematically assess its control needs or the cost effectiveness of control alternatives prior to designing its systems. Rather, a systematic review of controls was performed after the systems were ready for use. This approach, although inherently less efficient, should ensure that acceptable control standards are met.

6.71 The Ministry will benefit from the systems delivered by the computerization project.

Costs of Systems Development

6.72 The computerization planned by the Ministry in the fall of 1983 was a complex, multi-year undertaking that would require several million dollars and have a significant effect on the Ministry's method of doing business for years to come. The decision to proceed with the project was clearly one for the ministry executive to make with

full knowledge of the benefits, costs, risks and alternatives. And once the decision to proceed had been made, the project, because of its significance, warranted continued executive monitoring of its progress.

6.73 The Ministry's original plan called for the expenditure of $2 million over three years to complete the computerization. However, actual expenditures will be significantly higher than the planned amounts, perhaps reaching $4 million or more before the project is completed.

6.74 Although it is not practicable to determine the actual amount of additional cost which is attributable to a particular factor, we believe that most of the additional cost arose as a result of ministry management not realizing the full impact of the technical decisions they made.

6.75 A major part of the cost increase resulted from the Ministry's choice of computer configuration.

6.76 The Ministry's original plan proposed installing minicomputers in each of its major operating centers to support the systems which were to be developed and to provide a base for office automation. The ministry executive approved this plan in 1983.

6.77 However within three months of receiving executive approval the original plan was changed significantly. The ministry executive chose a centralized computer configuration instead of the decentralized one proposed in the plan.

6.78 We believe that a technical analysis of this choice at the time it was made would have shown that the new computer configuration was likely to be substantially more expensive than the original one. However, a revised plan which estimated the effects of the change on costs and scheduling was not drawn up. The Ministry's technical

staff confirmed that the new configuration was technically capable of performing the job, but they did not prepare an in-depth re-evaluation of all the cost factors and risk factors. As a result the executive who approved the change do not appear to have been aware of the full extent of the risks they were taking or of the cost consequences of their choice.

6.79 Some part of the cost increase also resulted from specific enhancements in the capability of individual systems during their development. Although each specific enhancement was approved by the ministry executive, the cost implications of the changes were only partially identified. Each enhancement had an immediate and direct cost which was identified . But, because these enhancements also required additional computer capacity, there was also a substantial, deferred cost which was not foreseen by the ministry executive when they made decisions on individual changes.

6.80 The difficulty the executive have had in dealing with the technical issues of computerization is not uncommon in government or industry. Senior management cannot be expected to have a thorough knowledge of all of the technical issues and therefore they are forced to rely on specialist advice. However, there are problems obtaining such advice. The main source of computer expertise within the ambit of the Government resides in British Columbia Systems Corporation (BCSC). However, ministries frequently perceive that the Corporation has a conflict of interest when it comes to providing unbiased advice since BCSC has its own products and services to sell. Treasury Board, which should have reviewed the Ministry's computerization plans before the project started, did not have a strong technical capability in the computer field at the time the project was undertaken.

6.81 In addition to the controls exercised by the Ministry, Treasury Board directives required the Ministry to obtain the Board's approval before the project was undertaken. However, this approval was neither sought by the Ministry nor requested by Treasury Board even though Treasury Board staff were aware of the computerization project through discussions with ministry staff and through requests from the Ministry to reallocate funds to the project.

6.82 The Ministry was able to finance the project until mid-1985 through its regular voted appropriations by reallocating funds from other activities. Only in mid-1985 did the Ministry make its first overt submission to Treasury Board for more money for the project. At that time Treasury Board approved use of the Crown Land Special Purpose Account for this additional funding.

Significance of the Ministry of Lands, Parks and Housing Experience for Other Ministries

6.83 As stated previously, many aspects of the Ministry's computerization were innovative with respect to normal practices in the British Columbia government at the time they were undertaken.

6.84 We believe several aspects of the experience of the Ministry of Lands, Parks and Housing would be of value to other ministries embarking on their own computerization projects. Therefore we have provided the following comments.

Selecting Computer Products

6.85 Since the late 1970's most government computing has been centralized on BCSC computers which were shared by all government ministries.

6.86 As part of its new computerization program the Ministry of Lands, Parks and Housing installed its own in-house central computer. In addition it selected a new database

product which had not been used previously in the government. Despite the problems encountered by the Ministry of Lands, Parks and Housing in its computerization, we have concluded from our review that, in the proper circumstances, other ministries could benefit by installing their own computers and by employing new software products. However, each ministry should carefully analyze its particular needs and consider the support costs as well as technical features before making its choice.

Systems Development

6.87 This audit provided our first opportunity to evaluate the development of computer systems by a ministry since BCSC relinquished its monopoly and turned systems development back to ministries. We found the Ministry of Lands, Parks and Housing used some new approaches to systems development.

6.88 The Ministry obtained the skills required to complete the project through a mix of its own staff, BCSC personnel and outside consultants. It also employed a user-oriented organizational approach and developed the systems through prototyping.

6.89 We concluded that these methods were effective and economical for the Ministry of Lands, Parks and Housing and that they should be considered by other ministries developing computer systems.

Electronic Mail

6.90 Electronic mail or electronic messaging was included in the Ministry of Lands, Parks and Housing's current computerization program. Most users have responded favorably to this new service. However, no analysis of cost versus benefit has been done yet by the Ministry. We believe other ministries should complete this analysis before making large irreversible investments to provide electronic mail.

Microcomputers

6.91 Microcomputers are now in use throughout the Government. The Ministry of Lands, Parks and Housing acquired its microcomputers to improve the computer literacy of staff who would need to become familiar with computer concepts to operate the major new systems the Ministry would be installing under its computerization plan. In addition, this equipment was intended to provide individual department managers with a way of meeting their minor computer needs during the period when the Ministry's professional systems staff would be devoted to the development of major systems. The Ministry was successful with both of these objectives. However, with the introduction of the major systems, there is an opportunity to utilize the existing microcomputer equipment for other purposes. This reallocation requires the active participation of management to ensure optimal usage of this significant asset pool.

6.92 Other ministries should review the deployment of their microcomputers on a periodic basis to ensure that the equipment is still being used in the most desirable manner.

SOCIAL HOUSING

6.93 Over the years the Government has assisted people who were unable to satisfy their need for adequate and affordable housing.

6.94 One way the Government assists is by providing more income to individuals unable to afford adequate housing. The most common forms of income support for housing are the GAIN Income Assistance Program and Shelter Aid for Elderly Renters (SAFER), both of which are administered by the Ministry of Human Resources.

6.95 Another way the Government has assisted is by building and managing public housing projects. No new units have been constructed in this manner since 1978. Instead, the Government now provides assistance to others to help them to build and manage social housing. This program is administered by the Ministry of Lands, Parks and Housing.

6.96 Under a 1979 Federal-Provincial agreement, the Federal government has responsibility for family housing and the Provincial government has responsibility for the housing needs of the elderly and the disabled. Although social housing for seniors and the disabled is administered by the Provincial government, the program remains a joint Federal-Provincial cost shared program with the Federal government providing substantial financial assistance. Assistance for family social housing, which is provided through cooperative housing associations, is funded and administered solely by the Federal government and thus, of course, was not included in our review.

6.97 Social housing for seniors is provided through not-for-profit societies. Since 1982, new units usually have been located in smaller communities where there is a lack of appropriate rental accommodation for seniors.

6.98 Social housing for disabled people also is supplied through not-for-profit societies. Recently, these units have been required primarily to meet the needs of individuals moving from institutions into group homes.

6.99 The Government controls the social housing program by limiting the number of units which are approved in any year and by setting conditions on the type and cost of the units which may be built. The demand from societies to build these units has exceeded the number of units available for allocation in recent years.

6.100 Once the new social housing projects are built, a related agency, the British Columbia Housing Management Commission (BCHMC), provides the not-for-profit societies, which are the owners and landlords, with advice on operating the facilities. In addition, BCHMC administers the Government's operating subsidy program.

6.101 Although the Government now provides assistance for social housing almost exclusively through not-for-profit societies, it continues to have an ownership interest in and to manage almost 8000 social housing units for families and seniors built in the Province with government funding over the 25 years up to 1979. Families and seniors continue to be eligible for these existing units as they become available. BCHMC acts as the landlord for this Government-owned housing.

Audit Objectives

6.102 Our audit was designed to report:

- whether the quality of the Ministry's systems of management and financial control provide reasonable assurance that the activities being carried out by the Ministry with respect to senior citizens' housing and group homes for the mentally and physically handicapped are being delivered economically, efficiently and reliably; and

- whether the Ministry's responsibilities with respect to British Columbia Housing Management Commission are met.

Conclusion

6.103 We found that the Ministry delivers its portion of the Government's overall social housing within a framework which does not provide for significant coordination with those parts of the program delivered by other ministries. Nor does the framework encourage the attainment of the Government's overall program goals.

6.104 We also found the Ministry recently has improved both the economy and efficiency of delivering social housing units and that it has developed an effective relationship with the British Columbia Housing Management Commission.

Coordination of Social Housing Programs

6.105 Information brochures produced by the Government, and other documentation relating to social housing programs, outline the Government's overall principles for social housing. These principles describe programs which integrate social housing needs that arise as a result of both housing affordability problems and housing adequacy problems. However, the Ministry of Lands, Parks and Housing attempts to deal with only housing adequacy problems. The Ministry is interested primarily in providing housing in communities where suitable housing for seniors and the handicapped does not exist in adequate quantities.

6.106 The Ministry of Human Resources addresses the housing affordability problems of seniors through its SAFER income assistance service. SAFER reduces the demand for new government subsidized housing projects for seniors. Although the Ministry of Lands, Parks and Housing has no influence on SAFER rates, these rates are of concern to the Ministry as it is not the Ministry's intention to accommodate seniors whose only housing problem is affordability.

6.107 Similarly, the Ministry of Lands, Parks and Housing is not involved in decisions made by the ministries of Health or Human Resources about whether the disabled should have institutional care or reside in the community.

6.108 Because different ministries administer only parts of the Government's overall social housing program, no single ministry feels responsible for accomplishing the goals of the overall program. Nor does one ministry feel responsible for a leadership role in housing seniors or

the disabled. As a result, we found that the three ministries concerned with social housing have not developed close links with one another.

6.109 This divided responsibility also has created difficulties in program delivery. Government direction is to deinstitutionalize disabled persons wherever practical. When the disabled were moved from institutions and integrated back into the community, under the major deinstitutionalization thrusts in 1984, the staff of the ministries involved were uncertain of their respective roles. This led to inefficiencies in establishing the group homes which were required on short notice to house those being moved. It also made it necessary for the not-for-profit societies involved with establishing these facilities to deal with more than one government ministry.

6.110 Better coordination among those government agencies with a role in providing adequate housing for seniors and the disabled would enhance achievement of the Government's overall goals. With the present organization, no one agency is responsible or can be held accountable for achieving the desired results.

6.111 There is also a division of duties between the Ministry of Lands, Parks and Housing and British Columbia Housing Management Commission.

6.112 As mentioned previously, when our audit was undertaken ministry staff were involved in establishing new social housing units through not-for-profit societies. Once the project was constructed, the not-for-profit society managed the facility but dealt with BCMHC on matters concerning day-to-day operations and the ongoing operating subsidies.

6.113 With capital projects of this type, the design and materials used in the construction of the facility affect its operating costs. The goal is to achieve the lowest costs, both capital and operating, over the life of the

building. However, the organization of the program focussed ministry staff on capital costs while the staff of BCHMC were concerned primarily with the ongoing operating costs.

6.114 The Ministry had recognized the value of coordination with BCHMC and in an effort to overcome this problem established standards to be applied in the construction of social housing units. In addition, procedures were adopted whereby BCHMC staff would review and approve the plans and specifications for all facilities before they were built. However, in practice these procedures did not work as well as intended. As a result, the knowledge that BCHMC staff had about these facilities frequently was not passed on to ministry staff prior to construction.

6.115 In June 1985, while our audit was in progress, the Ministry made changes and consolidated responsibility for all aspects of the programs in BCHMC. The Commission became responsible for all social housing functions including research, planning and the delivery of new social housing projects. This change should ensure that the cumulative knowledge of staff concerning both construction and operating costs is considered prior to constructing social housing and should improve program efficiency as well. In addition, the not-for-profit societies will be able to deal with only one government agency concerning the funding, construction and operations of their facilities.

6.116 The Ministry also has a need to coordinate its activities with the Federal government since it also contributes financially to housing projects for seniors and disabled persons. Prior to our audit, an agreement had been made with Canada Mortgage and Housing Corporation (CMHC), which handles federal involvement, in an effort to reduce the amount of duplication in the work of the two governments in providing housing for seniors.

6.117 The Ministry had recognized the need for a similar agreement in regard to housing for the disabled at the time of our audit. However, such an agreement has not been completed. As a result, the activities of the two governments overlap in some areas.

Delivery Alternatives

6.118 The Ministry has been actively seeking ways of improving the economy and efficiency of the social housing program. Over the years different methods of delivering social housing units have been used.

6.119 Since 1955, the Province has provided capital grants to not-for-profit societies to construct, own and manage senior citizen housing facilities. Since 1975, provincial rent subsidies also have been provided to most of these facilities. Some 4000 seniors units were designed, built, owned and managed by the Federal and Provincial governments in the 1970's. In an effort to be more cost effective this delivery method was changed so that since 1975 not-for-profit societies have fully assumed the design, construction and ongoing management for all new projects.

6.120 Until recently, not-for-profit societies developed senior citizen housing projects through the traditional process of design and public tender. The society would engage an architect to prepare plans and specifications suitable for public tendering. Public tenders then would be called following normal industry practice.

6.121 However, in the past three years, the Ministry has been encouraging societies to use alternative procurement techniques where suitable. As a result, a number of projects have been developed by societies through proposal calls. Under this arrangement the society invites proposals for the approved number of housing units from persons interested in supplying the units. The actual design is left up to the bidder. In some proposal call

situations the site for the housing also is left up to the bidder, while in others there is a short-list of acceptable sites specified in the proposal call, or the site is predetermined. The society then selects the proposal that best meets its cost and design criteria after ensuring provincial guidelines are met. The proposal call method of procurement is being tried in an effort to achieve economies through the use of innovative designs and through the adoption of new building techniques and materials.

6.122 The Ministry has engaged independent consultants to compare the results of using the proposal call method with those of the design and tender method. The consultant concluded that the quality of the units resulting from the methods was comparable, but that the proposal call projects were less expensive than those developed through the traditional method. We reviewed the consultants' work and found that the methods they used should result in valid conclusions.

6.123 BCHMC, which now has taken over the Ministry's role in establishing senior citizens housing, is continuing to encourage societies to use the proposal call method of procurement in situations where it is appropriate.

Ministry Relationship with British Columbia Housing Management Commission

6.124 During our audit we reviewed the manner in which BCHMC was established and given its purposes, powers and responsibilities. We also considered the way the Commission is financed, the manner in which government priorities are communicated and translated into operational goals by the Commission, and the methods used by the government to ensure the Commission's activities comply with prescribed legislation, policies and directives. In addition, we reviewed the Commission's reporting of information relating to plans, resource requirements, achievement of objectives, discharge of responsibilities and performance.

6.125 We concluded that the Ministry has established an effective relationship with BCHMC. The Order-in-Council which sets out the Commission's purposes, powers and responsibilities is quite clear and specific. In addition, the Ministry has entered into a formal agreement with the Commission which clarifies the roles and responsibilities of each with respect to their main program activities.

6.126 BCHMC receives funding for its programs through the Ministry, which subjects the Commission's budgets to the same scrutiny as its own and considers the priority of Commission programs in conjunction with the needs of Ministry programs.

6.127 We found the Ministry effectively directs and controls the Commission's activities. The Government appoints the Commissioners, and defines and communicates policy to the Commission which, in turn, understands the powers given to it.

6.128 Ministry monitoring of the Commission's activities and BCHMC reporting of its plans, performance and achievement of goals, while adequate, could be strengthened. The Ministry monitors the activities of the Commission on a regular but informal basis. Although there is frequent dialogue between the Ministry and the Commission which includes evaluation of the Commission's performance, there is no systematic, periodic review which ensures that all of the important aspects of the Commission's performance are monitored. The Commission also reports to the Ministry on its performance regularly but informally. In addition, BCHMC produces an annual report which includes some performance information. However this reporting is not comprehensive and could be improved.

PARKS AND OUTDOOR RECREATION

6.129 The first provincial park was established in 1911. In the early decades, large parks were established to encourage tourism and small parks were created to serve nearby communities. During the 1950's and 1960's many small roadside parks were developed to meet the public's interest in touring and camping. In the 1970's public concern with environmental quality led to the establishment of large parks providing wilderness recreation and appreciation.

6.130 The park system today includes about 370 provincial parks, recreation areas and conservancies spread throughout the Province. These facilities occupy about 4.5 million hectares or 5% of the provincial area. Thirty-nine of the parks are larger than 5000 hectares, while over 300 are relatively small. These parks offer a variety of features and recreational opportunities including wildland, beaches, campgrounds, day-use areas and trails. The provincial parks system attracted about 15.2 million visitors in 1983.

6.131 The Parks Division of the Ministry is decentralized with staff located throughout the Province. In recent years the Division has achieved significant staff reductions primarily by transferring ski operations to the private sector, providing campground services through private sector contractors, and implementing a reorganization which reduced the number of regions from six to three.

Audit Objectives

6.132 Our audit was designed to report:

- whether the Ministry's system of management and financial control provide reasonable assurance that ministry programs are being delivered economically, efficiently and reliably; and

- whether the Ministry has provided the Legislative Assembly with sufficient, reliable operational and financial information to allow Members to assess ministry performance.

Audit Conclusion

6.133 Overall, we found the Parks and Outdoor Recreation Division to be managed with due regard to economy and efficiency. However, improved performance information would allow the division to manage its programs more effectively and to provide the Legislative Assembly and the public with better operational information to assess ministry performance. The Division recognizes the need for this information and it is working satisfactorily towards obtaining it.

Planning

6.134 We found that the Parks and Outdoor Recreation Division has a strong sense of purpose and direction which are clearly related to the division's mandate. The Division recently has devoted considerable effort to developing a long range provincial park plan. This plan identifies proposed changes to the existing park system including additions for new parks, deletions of existing parks and revisions to current park boundaries. In preparing the plan, competing land uses were considered along with the natural landscapes and recreational potential of the land. This planning process has been well managed and thorough.

6.135 However, at the present time, the systems plan intentionally does not include a timetable or identify the cost of developing the system. This information, together with the downstream costs of maintaining the system, is important to the Legislative Assembly and to the public. The Division recognizes this, but because it believes there would be significant effort and cost associated with developing the information, proposes to offer the cost

data later, when detailed proposals are brought forward. We believe that this approach, while efficient from the division's standpoint, places decision makers in the difficult position of having to endorse a long range plan without sufficient information as to the costs of carrying it out.

6.136 We also found the Parks and Outdoor Recreation Division has almost completed a change in its direction from an inward focus on park facilities to a focus on the visitors who use those facilities. With this change, the Division has defined more clearly its role with respect to other agencies in the tourism industry, and it recently has begun to develop a closer working relationship with the Ministry of Tourism. We believe this shift in outlook should improve the recreational and economic opportunities provided by the provincial park system.

Organization

6.137 We found the Parks and Outdoor Recreation Division well organized to develop and maintain parks. Despite a recent major reorganization and despite a complex organization structure which incorporates several staff levels, we found that there are no significant gaps or overlaps in duties and that generally staff have a clear understanding of their responsibilities and authorities. Further, although there have been significant reductions in staff recently, we found the Division is adequately staffed with dedicated individuals who are appropriately qualified to deliver the activities the division now undertakes.

6.138 However, we also found the Parks and Outdoor Recreation Division operates relatively independently of other groups within the Ministry or within the Government. The Division has not developed close working relationships with the Ministry's central financial or information services groups, and the activities of its historic parks at the working level are not closely coordinated with those of the Heritage Conservation Branch, the Provincial Museum or other government agencies with similar mandates.

Performance Information

6.139 We found the Division's planning and budgeting process to be above average when compared to others we have reviewed. Annual operating plans are used to prepare the budgets. These operating plans in turn are related to the division's long-range plans and goals. Because the current year priorities are explicitly stated, and because of the participatory nature of the process, the plans and budgets are understood and supported by staff.

6.140 However, the planning and subsequent control and evaluation efforts of the Parks and Outdoor Recreation Division would be improved if target performance indicators were established in areas such as park use, resource management and park costs.

6.141 Some information on park usage is captured. Annual attendance figures are recorded on a park-by-park basis and are compared to prior years' figures for the same park to establish trends. In addition, individual park use statistics are aggregated and analyzed to identify macro trends. However the Division has not established a reliable way of determining reasons for these trends.

6.142 The most often used measure of success relating to park use is customer feedback - favourable and unfavourable. The Division recognizes that relying on the customer to provide unsolicited feedback is an unreliable indicator of performance. Therefore, it has recently implemented a project to define "customer satisfaction" and to develop a formal system to capture, summarize and utilize this needed information.

6.143 Once this project is complete, the Division will have a much better understanding of the reasons for park visits, the things people like or dislike about parks, the number of trips that are repeat visits, and the length of time people stay in parks. It will also have a more complete picture of who the non-visitors are and why they don't

visit parks. The Division will then have a better basis for evaluating actual attendance figures, for undertaking an effective marketing program, for making changes to parks and park services, and for deciding on how best to allocate resources.

6.144 Similarly, although the Division has established broad goals and principles for the conservation and preservation of the natural resources it manages, no specific performance goals or short-term measures of success have been developed to guide the day-to-day operations and to ensure these long-term goals are reached. The Division recognizes a need for more detailed performance measures, but to date its efforts to develop them have been hampered by a lack of adequate information about the current state of the park's natural resources.

6.145 In addition, the Division has not established performance standards with respect to park costs. Again, part of the difficulty of developing such standards results from the division's lack of adequate information about current operations. Certain detailed park costs are not routinely captured and reported, resulting in incomplete historical data to use as a baseline. Thus, decisions to provide services, including the choice of delivery method, and the subsequent evaluation of park activities must be based to a large extent on laborious manual analysis or intuition. Staff believe they have a clear idea of what information is needed, but to date specific performance measures have not been developed.

Private Sector Contracting

6.146 Since 1982, the Ministry of Lands, Parks and Housing has significantly reduced its number of employees in response to government policy. A large proportion of this staff reduction was achieved in the Park and Outdoor Recreation Division. One of the main ways of accomplishing this decrease was through a change in the program's delivery method. People were hired on contract from the private

sector to provide park services which were formerly delivered by government employees.

6.147 Although some park services were provided by private sector contractors prior to 1982, this practice has been extended significantly. Contract staff now are engaged both to construct new park facilities and to maintain the parks. In some cases contract staff provide all services in a park while in others only selected services are contracted out.

6.148 All of the analyses of contracting opportunities done to date indicate that there are some situations in which contracting park services is clearly more economical, and others in which using ministry staff is clearly more cost effective. The challenge for management is to use contract staff in those situations where it is more economical, but to limit contract service delivery to only those situations.

6.149 Before the division began contracting extensively in 1982 it assessed which parks and which park services presented the best opportunities for contracting. However, these assessments were based on the knowledge and experience of ministry staff rather than on a comparison of the estimated contract costs with the actual historic costs of providing these services through ministry staff.

6.150 In November 1984 the Parks and Outdoor Recreation Division employed a consultant to analyze whether there had been a cost saving as a result of providing park services through private sector contractors. This evaluation proved inconclusive.

6.151 As a part of our audit we reviewed 108 contract completion reports prepared by the Ministry's contract supervisors and financial management reports produced from the Ministry's central accounting system. We also interviewed numerous ministry staff members. This work also turned out to be inconclusive.

6.152 The consultant's study and our work also tried to compare the quality of service provided by contractors with that provided when park services were supplied by government employees. However, again because of the poor quality of the baseline and assessment information, no overall conclusions could be drawn.

6.153 The evaluations of the cost effectiveness of contracting park services have been hampered by the lack of accurate historic cost data. Because the Ministry did not have an effective cost accounting system in the past, the Division does not have reliable information about the costs it incurred to provide with its own staff those services now contracted out to the private sector. Therefore there is no historic base against which to compare the costs of contracting. As a result, we concluded that the Division cannot demonstrate that the use of contracting has been cost effective in all cases where it has been used.

FINANCIAL MANAGEMENT AND CONTROL

6.154 Since 1979 we have carried out reviews of financial management and control in nine ministries of government. These audits examine the manner in which ministries manage their financial affairs. A financial management and control review was done in the Ministry of Lands, Parks and Housing in late 1979 and reported in my 1980 Annual Report. This year's review presented us with our first opportunity to follow up on our previous audit.

Audit Objective

6.155 Our audit was designed to report:

- whether the Ministry's financial management and control systems provide reasonable assurance that the financial affairs of the Ministry are controlled and are managed economically and efficiently.

- whether the state of financial management and control in the Ministry have improved from that which existed when we undertook a similar study in 1979.

Conclusion

6.156 Overall, the Ministry has improved its financial management since 1979. A number of concerns raised in the 1980 Report have been addressed and there have been noticeable improvements.

6.157 However, while there have been improvements, several concerns raised in the 1980 report have not been resolved satisfactorily and we have concluded from our 1985 study that the financial management and control function requires further development to provide management with the support it needs.

Organization of the Financial Function

6.158 Overall there appear to be adequate numbers of financial staff to carry out the necessary financial activities throughout the Ministry. Many financial staff, however, particularly in field offices, require better qualifications and more experience if they are to improve performance and meet management's expectations of their roles. Staff generally recognize that higher skill levels are being demanded of them, but there is little evidence that these additional skills are being acquired.

6.159 We found that the ministry-wide role of the central financial group is recognized by ministry staff more clearly now than when we conducted our review in 1979.

6.160 However, we concluded that the knowledge and skills of the Executive Financial Officer (EFO) and Senior Financial Officer (SFO) are not fully utilized by the Ministry. These individuals should play both a technical and

administrative role. We found that, with a few exceptions, the EFO and SFO are fulfilling their administrative role. However, ministry staff frequently do not ask senior financial staff for advice in areas where their technical expertise would be valuable such as financial analysis or advice on accounting or financial matters. For instance, there is no requirement for either the EFO or SFO to review the financial implications of proposed policy changes.

6.161 In addition, perhaps partly because the role of senior financial staff is not fully appreciated, the EFO's non-financial responsibilities have increased to the extent that he may not be able to devote sufficient time to financial affairs. Also, it is not clear that the EFO reports to the Deputy Minister on all financial matters as is appropriate and as is required by the Government's financial administration policy.

Budgeting

6.162 Ideally, budgets should be developed directly from approved operating plans. The Parks and Outdoor Recreation Division of the Ministry uses this approach to budget preparation and we have commented elsewhere in our Report on their success with it.

6.163 However, throughout the rest of the Ministry it is widely accepted that senior management allocate the available funds to operating units without direct reference to operating plans. This process does not link the resource allocation process to operations or to performance goals.

6.164 In a new initiative, the Ministry has developed Key Success Factors to measure management performance. This process is valuable and could be improved further by identifying the level of resources required to attain these objectives.

Accounting Systems and Controls

6.165 The Ministry began using a comprehensive new accounting system, the computerized Walker system, on 1 April 1985. At the time of our audit not all aspects of the system were operational and financial reports for all management levels were being prepared manually as the computerized reports were not yet available.

6.166 We believe that the Ministry, in an effort to implement the system at the beginning of a government fiscal year, started using the system before it should have. Many aspects of the system were not complete when the implementation took place. However, despite the additional risks involved with the early start, and although a number of control weaknesses were identified during a post implementation audit of the system by a public accounting firm, the new system has worked satisfactorily.

6.167 The Ministry has established an internal audit function since our 1979 financial management report. Although some worthwhile work has been done in this area, we believe benefits in the future could be increased by improving the long-term internal audit plans. More specifically, criteria for assessing possible projects should be developed and manpower plans should ensure that the right types and numbers of audit staff are available to do the required work.

ACKNOWLEDGEMENTS

6.168 We appreciate the assistance provided to us by the Ministry's executive and staff throughout our audit. Since a comprehensive audit is a cooperative undertaking, our work required a commitment from the Ministry to be successful. Their involvement in terms of both time and interest greatly enhanced our audit work.

MINISTRY REPORT TO THE LEGISLATIVE ASSEMBLY CONCERNING THE AUDITOR GENERAL'S COMPREHENSIVE AUDIT OF THE MINISTRY OF LANDS, PARKS AND HOUSING

The comprehensive audit of a Ministry by the Auditor General provides a Ministry with a valuable, independent and objective view of much of its operations and management.

The Ministry's following comments will concentrate on actions the Ministry has or is taking, and instances of disagreement with the Auditor General's conclusions.

1. Crown Land Administration

While a comprehensive inventory including all Crown lands would be useful, it would only partially assist in serving the needs of our clients and the high cost could not be warranted. However, as the Auditor General notes, the Ministry has, and continues to, satisfactorily develop computerized systems which will provide the most important inventory data and this will be expanded over time.

The Ministry has government direction to dispose of lands within its mandate by sale, lease or licence at market value. Where there are variations or clarifications required, the Ministry has sought and received specific guidance from Cabinet.

The complexities surrounding the disposition of Crown land make development of a simple set of policies to cover all programs, and a reporting system, virtually impossible. However, the Ministry will review the possibility of preparing a comprehensive statement endorsed by government respecting Crown land dispostion policies, and has embarked upon a program to simplify its policies. The Ministry is satisfied that these policies are being applied, in a reasonably consistent fashion across the Province.

2. Crown Land Special Account

While concluding that legislative compliance and control at the Ministry level is adequate, the Auditor General's report concludes that the Legislative Assembly does not restrict use of the Account to activities and programs which are specific enough to constitute effective control. The Ministry has sought further guidance on this issue and during 1985 proposed a restructuring of the Ministry's vote structure and the Crown Land Account so that the Account would be used primarily to fund acquisitions and servicing or development of Crown lands, and to account for related recoveries and revenues from sale and leases of Crown lands. Treasury Board approved the proposal, effective the 1986/87 fiscal year.

The Ministry disagrees with the Auditor General's recommendation that the Crown Land Account be eliminated entirely. To achieve its mandate, it is important that the Ministry have the ability to enter into multi-year project and land acquisition commitments, to be able to react quickly to the sudden changes which occur in the housing market and to recognize the basic accounting principle of matching costs and revenues directly relating to a given program or project in order to objectively measure financial performance.

3. Computerization

The Ministry is pleased with the Auditor General's recognition of our effective systems development program. We seek to be progressive in computerization to meet government's direction for increased productivity while consuming fewer FTEs and dollars.

The Ministry disagrees with the Auditor General's conclusion, "that the Ministry Executive did not exercise sufficient financial control over the

project". The "project" is the Ministry's entire 3-year systems plan incorporating a considerable number of systems projects, and including the acquisition of certain hardware.

Executive made its hardware and operating software acquisition decision with full knowledge that, while the resulting cost would be more than other alternatives, the best value was obtained which effectively meets the Ministry's needs. Executive, today, is even more confident that the decision was best in terms of effectiveness, compatibility and capacity of the products to meet the Ministry's needs.

4. Social Housing

The Ministry is pleased with its long and successful history of providing social housing alternatives to senior citizens and disabled persons without committing the Province to unnecessarily increasing subsidy costs, and would welcome coordinative mechanisms in government for better identifying and funding housing and related support needs for seniors and disabled persons. The current Ministry Housing Program is being acclaimed by other government jurisdictions as excellent.

5. Parks and Outdoor Recreation

The Ministry is pleased that the Auditor General has recognized the Parks and Outdoor Recreation Division accomplishments in regard to its economy/efficiency, park planning process, visitor service orientation, organization and staffing and its operational planning process. As these accomplishments are viewed by the Ministry as being Key Success Factors for Provincial Park management, we appreciate these independently reported observations.

Given its particular mandate, the Parks and Outdoor Recreation Division is appropriately a separate organizational entity within the Ministry. It is the Ministry's view, however, that good and effective relationships have been developed by this Division with other organization units, both within the Ministry and within the Provincial Government at large.

The Ministry agrees with the Auditor General's observations that improved performance indicators and supporting performance reports would be helpful to the management of the Parks and Outdoor Recreation Division. Work has already commenced to improve both the forecasting and reporting systems.

The Ministry takes a different view from that of the Auditor General in regard to the success of private sector contracting. The Ministry has commissioned two separate reviews on this issue, one of which was conducted independently from the Ministry, while the second review involved Division Managers and the Ministry's internal auditor. Both reviews have come to the conclusion that private sector contracting has been clearly more efficient with no appreciable loss in service to the public.

6. Financial Management and Control

Lands, Parks and Housing not only seriously endeavors to recognize and assume all appropriate financial management and control responsibilities, but actively seeks further responsibilities and authorities in order to better manage, control and serve our clients. We seek to be progressive, including in automated systems, while recognizing the risks inherent in this. Further, we welcome audit scrutiny and commit ourselves to being held fully accountable.

We are pleased that the Auditor General has recognized these efforts and the improvements since her 1980 review, realizing that we will continue to move toward achieving a truly comprehensive system of financial management.

PROFESSIONAL SERVICE CONTRACT REVIEW

Introduction

7.1 Each year I include in my Annual Report comments on weaknesses in financial control which come to my attention during the course of the audit of the Government's financial statements. As resources permit we also undertake more in-depth reviews of systems of financial controls. This year we performed such a review of the administration of professional service contracts.

7.2 Professional services are defined by the Ministry of Finance as services relating to one-time-only projects which require specific professional or management consulting expertise. Examples include ministry organizational studies, economic research and engineering work on a specific problem. Expenditures on professional services totalled approximately $132 million for the year ended 31 March 1985, and approximately $39 million for the five months ended 31 August 1985.

Purpose of the Review

7.3 Our review was designed to determine whether internal controls over professional service contracts were adequate. We also endeavoured to determine whether applicable policies, directives and guidelines issued by Treasury Board, the Ministry of Finance and the individual ministries were complied with for the contracts examined.

Conclusion

7.4 We concluded that internal controls established by the ministries for professional service contracts were generally adequate. However, certain policies, directives and guidelines issued by Treasury Board, the Ministry of Finance and the ministries had not always been complied with. In one particular instance deliberate steps appear to have been taken by officials of one ministry to avoid obtaining the necessary Treasury Board approval on a

substantial contract. This indicated that improved monitoring by the central agencies responsible for setting and administering policies was necessary. In addition, I considered that there was a need for a clearer statement of policy with regard to employer/employee relationships, conflict of interest, and the tendering of contracts.

Scope

7.5 We reviewed a representative number of contracts on which payments were made during the five months ended 31 August 1985. This sample contained contracts entered into by all ministries of government. We interviewed staff who have responsibility for contract administration within the ministries, as well as staff of the Ministry of Finance and the Ministry of Provincial Secretary and Government Services who set and monitor policies and procedures.

Audit Criteria

7.6 We assessed the adequacy of controls established against the following standards:

- authority for executing contracts should be clearly defined;
- the format and content of contracts should meet the legal requirements of the Government;
- responsibility for controlling contracts in the ministry should be clearly assigned;
- payments for contract work should only be made if the contract requirements have been met;
- payments on contracts should be properly recorded; and
- all other requirements of Treasury Board, the Ministry of Finance and the Ministry should be complied with.

7.7 Further, we considered whether established policies and procedures adequately addressed significant aspects of contract administration and control.

Audit Findings

7.8 We have reported the detailed results of our review to each ministry. The findings are summarized by the aforementioned audit criteria.

Authority for executing contracts should be clearly defined.

7.9 To ensure that adequate controls exist for entering into a contract it is important that the ministries have clear guidelines on which employees may execute contracts and what levels of authority they have. These guidelines should be clearly documented and distributed throughout the ministry. The employees authorized to execute contracts should be in responsible positions, and their levels of authority should be relative to their positions.

7.10 In general, all of the ministries had clearly defined the authority of persons who are allowed to execute contracts. The information was well documented and disseminated throughout each ministry.

The format and content of contracts should meet the legal requirements of Government.

7.11 Policies and procedures established by the Ministry of Finance require that contracts entered into must be in written form and that ministries should, wherever possible, use the standard service contract available from the Ministry of Attorney General. If the standard contract form is not appropriate, ministry officials may alter the standard contract in consultation with ministry legal advisors, to meet special requirements. If a standard format is not used, the contract must be approved by a ministry's legal advisor.

7.12 In our review we found instances where there were no written contracts for services being performed and paid for. The basis for payment was an invoice or, in one case, a prior year's expired contract. Amounts paid out without appropriate contracts were as high as $35,000. We also encountered contracts which did not include all the basic terms called for in the general policies of the Ministry of Finance. Such basic requirements as the starting and completion dates, the details of the work to be done and the allowable amounts to be reimbursed were either omitted or were inadequately described. In one case the expense reimbursement was in excess of the amounts allowed by the Government. There were also contracts that were not prepared in the standard format, and not reviewed by the ministries' legal advisor to ensure that they met all legal requirements. Some contracts were deficient in that signatures were not witnessed as required, and some were not fully signed. Cases were also found where the work had been started prior to the contract being signed.

Responsibility for controlling contracts in the ministry should be clearly defined.

7.13 To ensure that proper controls are exercised over professional service contracts it is important that the responsibilities for controlling these contracts are clearly defined and documented.

7.14 In general, responsibilities for controlling contracts were clearly assigned and documented. We found only one instance of lack of documentation.

Payments on contracts should only be made if the contract requirements have been met.

7.15 Controls in the ministries should ensure that payment is only made when the work has been performed or services have been rendered, the conditions stipulated in the contract have been met, and the amount charged is in accordance with the contract. Also, the approval for

payments should be made by a person who is familiar with the requirements of the contract and in a position to determine that the work or service has been performed.

7.16 In our review we found that, in some cases, payments were made without proper supporting documentation. We also found a duplicate payment relating to travel expenses amounting to $3,341, and another case where a ministry overpaid the contractor by $1,000. In each of these cases the amount was recovered by the ministry involved. Government policy allows, in certain cases, the payment of advances to contractors. In general, advances were paid in accordance with this policy. However, we found one case where, although the amount of expenses allowable under the contract was $15,000, the total of advances made to the contractor with respect to expenses was $25,300. There was no amendment to the contract to cover the excess payment, nor was the payment approved by the Deputy Minister as required by ministry policy. We also found one case where the authority for payment on a contract was given by a person not authorized to do so.

Payments on contracts should be properly recorded.

7.17 To ensure that financial information generated in the ministries and ultimately in the Public Accounts is reliable, it is important that the payments relating to professional service contracts are recorded correctly. We found that all contract payments reviewed were properly recorded.

All other requirements of Treasury Board, Ministry of Finance and the Ministry should be complied with.

7.18 Policies in regard to professional service contracts are set by Treasury Board and the Ministry of Finance. These policies are supported by procedures developed by the Office of the Comptroller General and by the ministries themselves. Our review included an evaluation of compliance with these policies and procedures.

7.19 Treasury Board approval is required before a Ministry enters into any contract with a potential cost in excess of $50,000 over a 12 month period. In our review we have found that this policy was not always complied with. In one ministry this requirement was avoided by splitting the total contract amount of $350,497 into twelve different contracts, with the result that each individual contract was under $50,000. Treasury Board approvals were not requested nor received for any of these contracts. This I view as a deliberate attempt to circumvent an important control on the expenditure of public monies.

7.20 Another policy requires that all service contracts with a total potential cost of $25,000 to $50,000 over a twelve month period be reported to the Chairman of Treasury Board. Many of the ministries did not comply with this policy.

Policy Issues

7.21 In the course of our review we noted a number of issues that were not adequately addressed by either the central agency responsible for setting policy or by the ministries themselves. There were three important areas where we felt that the policies were either vague or nonexistent.

Employer/Employee Relationships

7.22 The Government's policy states that "Personal service contracts should not be used to establish an employer/employee relationship." Ministries have interpreted this policy in different ways. Some ministries have included in their manuals a detailed interpretation of this policy and have tried to adhere to it. Other ministries have provided no such interpretations. Also, there appeared to be some confusion as to how this policy was to be interpreted in the light of some recent rulings by Revenue Canada.

7.23 I consider that a central agency should clarify this policy so that it can be consistently applied by all ministries.

Conflict of Interest

7.24 Although no instances of conflict of interest came to our attention in the course of this review, we noted that there were no policies to prohibit the awarding of a contract to a party who is not independent of the Government employee who approves the contract. To avoid such potential conflict of interest situations, a policy to this effect would provide valuable guidance for all those concerned.

Tendering

7.25 The Ministry of Finance, in its "Guidelines for the Engagement of Consultants", states that "... it is considered good management practice to solicit more than one proposal from consultants where practicable." There are various methods for awarding contracts, including the calling of tenders, obtaining verbal or written quotes, and contracting out to persons with proven industry expertise.

7.26 We found that there was no policy requiring the ministries to invite tenders on their contracts. Some ministries have set their own policies for tendering, but these policies were not always uniformly applied. Other ministries did not have any policies and did not solicit tenders or proposals although, in some cases, it would appear to have been beneficial. To ensure that tendering is carried out uniformly in all ministries, I feel there is a need for a more specific policy in this regard.

Part 4

PUBLIC BODIES

PUBLIC BODIES

8.1 Pursuant to Section 17 of the Auditor General Act I am eligible to be appointed auditor of any public body. At 31 March 1985 I was the appointed auditor of the 31 public bodies listed below. Their combined assets and expenditures totalled $12.2 billion and $3.2 billion respectively. Volume III of the Public Accounts contains copies of their audited financial statements.

British Columbia Assessment Authority
British Columbia Educational Institutions Capital Financing Authority
British Columbia Harbours Board
British Columbia Health Care Research Foundation
British Columbia Heritage Trust
British Columbia Housing and Employment Development Financing Authority
British Columbia Institute of Technology
British Columbia Place Ltd.
British Columbia Power Commission Superannation Fund
B.C. Rail Ltd. Pension Fund (formerly British Columbia Railway Company Pension Fund)
British Columbia Regional Hospital Districts Financing Authority
British Columbia School Districts Capital Financing Authority
College Pension Fund
Creston Valley Wildlife Management Authority Trust Fund
Expo 86 Corporation
Health Facilities Association of British Columbia
Knowledge Network of the West Communications Authority
Legal Services Society
Medical Services Commission of British Columbia
Members of the Legislative Assembly Superannuation Account
Municipal Superannuation Fund
Pacific Vocational Institute
Provincial Capital Commission
Provincial Rental Housing Corporation
Public Service Superannuation Fund

Simon Fraser University
Teachers' Pension Fund
University of British Columbia
University of Victoria
Workers' Compensation Board of British Columbia
Workers' Compensation Board Superannuation Fund

8.2 Also included in Volume III of the Public Accounts are the financial statements of the Liquor Distribution Branch. Although I audit the accounts of the Branch I render no separate audit opinion thereon because the financial information pertaining to the Branch is included in the Government's financial statements on which I already report. The Liquor Distribution Branch has assets of $69 million and made expenditures of $586 million in 1985.

Auditor's Reports

8.3 When I am appointed auditor of a public body my principal objective is to express an opinion in my auditor's report as to whether the entity's financial statements present fairly both its financial position and the results of its operations. If I believe the financial statements do not fairly present this information, then my auditor's report is qualified and I provide in the report details as to my concerns.

8.4 In only one case during the past year did I find it necessary to qualify my auditor's report. That pertained to the financial statements of the Workers' Compensation Board of British Columbia for the year ended 31 December 1985. My auditor's report containing this qualification is reproduced below:

> I have examined the balance sheet of the Workers' Compensation Board as at 31 December 1985 and the statements of income and expense and unfunded liability, changes in fund liabilities, changes in special reserve balances and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In 1984, the Board increased the actuarially-determined accident fund liabilities by a contingency margin of $42.8 million, increasing by that amount the expense shown for that year in the statement of income and expense and unfunded liability. In 1985 this contingency provision was reversed, with a consequent reduction in the amount of expense shown for the year. In my Auditor's Report dated 1 March 1985 on the 1984 financial statements, I stated that in my opinion this amount should not have been charged as an expense, but rather as a contingency appropriation, shown separately on the balance sheet. Similarly, in my opinion the reversal in 1985 should not have been applied to reduce expense. Had these amounts been treated as I believe they should, stated net income applied to Unfunded Liability would be reduced to $302.7 million in 1985 and increased to $249 million in 1984. Amounts of unfunded liability are not affected.

In my opinion, except for the treatment of the contingency margin described in the preceding paragraph, these financial statements present fairly the financial position of the Board as at 31 December 1985 and the results of its operations and the changes in its fund liabilities, special reserve balances and financial position for the year then ended in accordance with the stated accounting policies disclosed in note 1 to the financial statements applied, after giving retroactive effect to the change in the method of accounting for long-term investment income as explained in note 2, on a basis consistent with that of the preceding year.

8.5 In addition to the above comments I am also concerned that the Board used a different method of accounting for long-term investments in each of the last three years. The reasons for the changes were described in Note 2 to the Board's 1985 financial statements. While the three accounting methods referred to are considered acceptable, I feel that frequent changes in significant accounting policies are undesirable in that the resulting necessary restatements of financial statements of previous years impair the comparability of the statements over a longer period.

8.6 The following table demonstrates how inconsistent the reporting has been. It shows the comparative value of the Unfunded Liability as it would have been had each of the three accounting policies used by the Board to account for long-term investments been applied consistently for each of the four years ended 31 December 1985.

Unfunded Liability Using Different Bases of Valuing Long-Term Investments

($Thousands)

Fiscal Year Ended	Cost	Market Value	Market Value with Deferral of Gains & Losses
31 December 1982	(504,350)*	(586,271)	(610,537)
31 December 1983	(433,559)*	(517,918)	(548,101)
31 December 1984	(252,921)	(314,907)*	(358,353)
31 December 1985	45,022	65,940	(31,844)*

* Amount originally reported in the financial statements for the year.

Audit Recommendations to Management

8.7 Another objective of a public body audit is to alert management to instances where we have concerns that systems of control are weak, required procedures are not followed, or where improvements might be made. Our observations and recommendations are detailed in a management letter issued to the chief executive officer of the public body involved who normally takes prompt remedial action.

8.8 In the course of their audits my staff are frequently consulted and make suggestions on the appropriate accounting treatment or financial statement disclosure for many complex issues. Where the issues are resolved to my satisfaction I make no comment either in this report or in management letters to the organization.

8.9 In our audits of public bodies we have not expanded our work beyond that required to issue my auditor's reports because staff resources have been insufficient to allow my Office to undertake audits dealing with matters of efficiency and economy.

Reliance on Other Auditors

8.10 The financial statements of some of the public bodies which are included in the Consolidated Financial Statements are not audited by me but by other professional accountants in the private sector. When arriving at my opinion on the Consolidated Financial Statements, I rely upon the work done by these accountants, but only after making enquiries to determine whether such reliance is justified. I also ask for confirmation that:

- they are independent from the public bodies of which they are the appointed auditors;
- no events have occurred subsequent to the year end and the date of their auditor's reports which might have a material effect upon the financial position or results of operations disclosed in the financial statements being consolidated; and
- there is nothing that they are aware of which would prevent me from relying on their auditor's reports when forming my opinion on the consolidated financial statements of the Government of British Columbia.

I appreciate the cooperation I have received from these accountants.

8.11 Appendix II lists those public bodies audited by public accountants, and whose statements are included in the Consolidated Financial Statements. Included for the first time are two new public bodies, British Columbia Lottery Corporation and B.C. Pavilion Corporation.

Public Body Financial Information

8.12 To provide the public with financial information on the activities of public bodies the Legislative Assembly has enacted legislation requiring disclosure of specified information. The Act presently in force is the Financial Information Act, R.S.B.C. 1979, c 131. It requires that public bodies to which a grant or advance may be made or the borrowings of which may be guaranteed, under the authority of statutes which it lists shall, within six months of the close of each financial year, publish a financial statement for that financial year which shall include:

(a) a statement of the assets and liabilities;

(b) an operational statement;

(c) a statement of debt;

(d) a statement showing all remuneration, bonuses and gratuities paid to each employee;

(e) a statement showing all expenses paid on behalf of each employee; and

(f) a statement showing each individual account in an amount of $500 or more paid during the last financial year, and showing all other accounts paid as a consolidated total.

8.13 The list of statutes in the Act is not comprehensive and accordingly omits many public bodies. For example, although the Workers' Compensation Board of British Columbia is included, the Insurance Corporation of British Columbia is not. Certain public bodies, such as Expo 86 Corporation and British Columbia Transit, are required to comply with the Financial Information Act through their own enabling legislation. Other public bodies, such as British Columbia Place Ltd. and the British Columbia Development Corporation, are not required to make such disclosures.

8.14 As a result there is no consistency in the financial information available to the Legislative Assembly and the public regarding public bodies. Further, although the Act requires that a public body publish the information specified, the Act does not give guidance as to how the information shall be published. Therefore access to the information may be difficult.

8.15 During 1985, Bill 36 - 1985, a new Financial Information Act, received Royal Assent, but has yet to be brought into force. The Bill remedies many of the shortcomings in the old Act and expands the number of public bodies that are required to report financial information. It also specifies how such financial information shall be made public. The new Act provides a more complete disclosure of financial information for public bodies and provides uniformity in the means the public has to obtain such information. I urge the early implementation of its provisions.

Part 5

GENERAL MATTERS

GENERAL MATTERS

Organization and Administration of the Audit Office

STAFF RESOURCES

9.1 In my last few Annual Reports I stated that the 82 full-time positions allocated to my Office by the Government were insufficient for the conduct of work beyond my minimum statutory audit responsibilities. Accordingly, I am pleased to report that in August 1985 the Minister of Finance advised me that Treasury Board had authorized an increase of 10 full-time positions for the Office. Recruiting for these new positions began immediately.

9.2 At 31 December 1985 the Office employed a staff of 87, consisting of 52 professional accountants or persons with other formal qualifications related to the work of the Office, 27 audit staff pursuing courses of studies leading to recognized accounting designations, and 8 administrative staff. In addition, employment commitments had been made for five more staff.

9.3 These additional resources have already enabled the Office to begin new projects in special and value-for-money areas, and to accommodate the increasing demands of the statutory responsibilities of the Office.

ADMINISTRATION

9.4 Although we have been allowed to correct some of the more serious salary inequities commented upon in my 1985 Annual Report, the inflexibility inherent in the present salary plan continues to hinder the effective administration of the Office. One result has been the perpetuation of a high staff turnover rate, with concomitant inefficiencies and disruption.

9.5 My staff are included in the Government's management compensation plan. A new plan is in the process of being implemented, and it is hoped that it will help alleviate some of our concerns.

ORGANIZATION

9.6 The basic plan of organization of the Office remained unchanged during 1985. Two Executive Directors, Gordon W. Dawson and Frank Barr, have the responsibilities for overall planning and coordination of audit work on the Government's financial statements and on the audits of public bodies respectively.

9.7 Regular audit work in ministries and public bodies is assigned to three teams, each headed by an Audit Director. Comprehensive audit and computer audit activities are each also headed by Audit Directors. The Directors, Executive Directors, the Deputy Auditor General and I constitute the Executive Committee of the Office.

TRAINING AND RELATED PROFESSIONAL ACTIVITIES

9.8 Development and maintenance of a highly skilled staff is vital to the continued progress of the Office. Accordingly, considerable emphasis is placed on the training of student accountants and the access to professional development programs for qualified personnel.

9.9 During the year four members of our staff were successful in meeting the academic requirements for their professional accounting designations. Other student-level staff continued the courses of study prescribed by their respective professional organizations.

9.10 Our professionally qualified staff have attended a variety of in-house and external courses covering accounting, auditing, computer technology and general management skills.

9.11 In addition, several of our staff members have served as associates of and contributors to the Public Sector Accounting and Auditing Committee of the Canadian Institute of Chartered Accountants. Through this activity the Office is able to take part in the ongoing development of public sector accounting and auditing standards.

Canadian Comprehensive Auditing Foundation

9.12 The Canadian Comprehensive Auditing Foundation is a cooperative association of legislative auditors, public accountants, management consultants and others who share a common interest in the development of improved methodologies to incorporate value-for-money considerations into the audit process. The Foundation carries out research, conducts training programs, and promotes the exchange of information and views.

9.13 This Office participated actively in the Foundation's affairs during the year. I served on its Legislative Auditing Committee. A senior member of my staff presented a summary of one of our comprehensive audits to a symposium sponsored by the Foundation. A previously presented summary, together with those submitted by other legislative auditors, formed the basis for the Foundation's major research publication issued during 1985. Finally, five members of my staff attended courses on various facets of comprehensive auditing presented by the Foundation.

Canadian Conference of Legislative Auditors

9.14 The Canadian Conference of Legislative Auditors held its thirteenth annual meeting in Whitehorse, Yukon in July 1985. This informal association, comprising the legislative auditors of all the provinces and Canada, facilitates the sharing of information important to the legislative auditing community through its regular annual meetings, cooperative research projects, and the informal exchange of information by the various audit offices.

Other Activities

9.15 Members of my staff and I remain active in professional and community affairs. Robert J. Hayward, the Deputy Auditor General, continued as a member of Council of the Institute of Chartered Accountants of British Columbia. He also served as Chairman of the Institute's Members in the Public Sector Committee. Other staff members similarly served on various committees of the Institute. Various employees served on committees or otherwise participated in the activities of the Canadian Comprehensive Auditing Foundation, the EDP Auditors Association, the Institute of Internal Auditors and other organizations and associations related to the work of the Office.

9.16 In addition, several of our staff support local educational programs through service as instructors at community colleges.

Advisory Council

9.17 In addressing the many complex matters encountered in the course of the audit of the accounts of the Province, I am assisted by a small group of senior members of the accounting profession who serve on the Auditor General's Advisory Council:

Michael J. Ashby, FCA
Arthur Beedle, FCA
Dennis F. Culver, FCA
Denham J. Kelsey, FCA
Ronald W. Park, FCA

I appreciate the contribution made by this Council to the work of my Office.

APPENDICES

APPENDICES

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APPENDIX I

Sections of the Auditor General Act Relevant to the Responsibilities of the Auditor General

EXAMINATION OF ACCOUNTS

6. (1) The Auditor General shall examine in the manner he considers necessary the accounts and records of the government relating to the consolidated revenue fund and all public money, including trust and special funds under the management of the government, and to public property.

(2) Notwithstanding any other Act, the Auditor General

(a) shall be given access to the records of account and administration of any ministry; and

(b) may require and receive from any person in the public service, information, reports and explanations necessary for the performance of his duties.

REPORT ON FINANCIAL STATEMENTS

7. (1) The Auditor General shall report annually to the Legislative Assembly on the financial statements of the government, including those required by section 8(2) of the Financial Administration Act, respecting the fiscal year then ended.

(2) The report shall form part of the public accounts and shall state

(a) whether he has received all of the information and explanations he has required; and

(b) whether in his opinion, the financial statements present fairly the financial position, results of operations and changes in financial position of the government in accordance with the stated accounting policies and as to whether they are on a basis consistent with that of the preceding year.

(3) Where the report of the Auditor General does not contain the unqualified opinion required under this section, the Auditor General shall state the reasons why.

ANNUAL REPORT

8. (1) The Auditor General shall report annually to the Legislative Assembly on the work of his office and call attention to anything resulting from his examination that he considers should be brought to the attention of the Legislative Assembly including any case where he has observed that

(a) accounts have not been faithfully and properly kept or public money has not been fully accounted for;

(b) essential records have not been maintained;

(c) the rules, procedures or systems of internal control applied have been insufficient

(i) to safeguard and protect the assets of the Crown;

(ii) to secure an effective check on the assessment, collection and proper allocation of the revenue;

(iii) to ensure that expenditures have been made only as authorized; or

(iv) to ensure the accuracy and reliability of the accounting data; or

(d) public money has been expended for purposes other than for which it was appropriated by the Legislature.

(2) In the report the Auditor General may also include an assessment

(a) as to whether the financial statements of the government are prepared in accordance with the most appropriate basis of accounting for the purpose of fair presentation and disclosure; or

(b) as to whether any program being administered by a ministry is being administered economically and efficiently.

TRIVIAL MATTERS

9. The Auditor General need not report to the Legislative Assembly on any matter he considers immaterial or insignificant.

SUBMISSION OF ANNUAL REPORT

10. (1) A report of the Auditor General to the Legislative Assembly shall be submitted by him through the Minister of Finance.

(2) On receipt of a report of the Auditor General, the Minister of Finance shall lay the report before the Legislative Assembly as soon as possible.

(3) If the Minister of Finance does not lay the report before the Legislative Assembly on the first sitting day following the receipt of the report by him, the Auditor General shall transmit the report to the Speaker and the Speaker shall lay the report before the Legislative Assembly.

(4) On being laid before the Legislative Assembly, the annual report of the Auditor General shall be referred to the Public Accounts Committee of the Legislative Assembly.

SPECIAL REPORT

11. The Auditor General may at any time make a special report to the Legislative Assembly on a matter of primary importance or urgency that, in his opinion, should not be deferred until he makes his annual report.

OTHER REPORTS

12. The Auditor General may at any time make a report to the Minister of Finance, the Treasury Board, the Lieutenant Governor in Council, or any public officer on any matter that in the opinion of the Auditor General should be brought to his or their attention.

SPECIAL ASSIGNMENTS

13. The Auditor General may undertake special assignments at the request of the Lieutenant Governor in Council, but he is under no obligation to carry out any requested assignment if, in his opinion, it would interfere with his primary responsibilities.

STAFF IN MINISTRIES

14. (1) The Auditor General may station in any ministry a person employed in his office to enable him to more effectively carry out his duties, and the ministry shall provide the necessary office accommodation for a person so stationed.

(2) The Auditor General shall require every person employed in his office who is to examine the accounts or the administration of a ministry pursuant to this Act to comply with any security requirements applicable to, and to take any oath of secrecy required to be taken by, persons employed in that ministry.

INQUIRY POWERS

15. The Auditor General may examine any person on oath on any matter pertaining to his responsiblities and for that examination the Auditor General has all the powers, protection and privileges of a commissioner under sections 12, 15 and 16 of the Inquiry Act.

PUBLIC BODIES

16. (1) Notwithstanding any other Act, where the Auditor General is not the auditor of a public body,

(a) the public body shall, on the request of the Auditor General, supply the Auditor General with a copy of all financial statements and reports relating to the public body;

(b) the auditor of the public body shall, on the request of the Auditor General, make available to the Auditor General, within a reasonable time, all working papers, reports and other documents in his possession relating to the public body; and

(c) the Auditor General may conduct examinations of the records and operations of the public body he considers necessary or advisable to carry out his duties under this Act.

(2) Notwithstanding any other Act, the Auditor General

(a) shall be given access to the records of account and administration of any public body; and

(b) may require and receive from any officer or employee of a public body information reports and information necessary for the performance of his duties.

ELIGIBILITY AS AUDITOR

17. Notwithstanding any other Act, the Auditor General is eligible to be appointed the auditor, or a joint auditor, of a Crown corporation, Crown agency or public body.

TRANSFER OF AUDIT DUTIES

18. The Lieutenant Governor in Council may transfer to the Auditor General the duty imposed by any Act on the Comptroller General to conduct an audit.

APPENDIX II

Public Bodies, of Which the Auditor General was not the Appointed Auditor, Whose Financial Statements are Included in Sections G and H of the Public Accounts

British Columbia Buildings Corporation
British Columbia Cellulose Company
British Columbia Development Corporation
British Columbia Ferry Corporation
British Columbia Food Exhibitions Ltd.
(formerly Surrey Farm Products Investments Ltd.)
British Columbia Housing Management Commission
British Columbia Hydro and Power Authority
British Columbia Hydro and Power Authority Pension Fund
British Columbia Lottery Corporation
B.C. Pavilion Corporation
British Columbia Petroleum Corporation
British Columbia Railway Company
British Columbia Steamship Company (1975) Ltd.
British Columbia Systems Corporation
British Columbia Transit
Discovery Foundation
Housing Corporation of British Columbia
Insurance Corporation of British Columbia
Metro Transit Operating Company
Ocean Falls Corporation
Pacific Coach Lines Limited
Science Council of British Columbia and Secretariat on Science, Research and Development
Universities Council
W.L.C. Developments Ltd.

APPENDIX III

Sections B, C and D of the Public Accounts

The material which forms Appendix III is an excerpt from the Public Accounts of British Columbia for the fiscal year ended 31 March 1985.

SECTION B

COMBINED GENERAL FUND AND SPECIAL FUNDS (CONSOLIDATED REVENUE FUND)

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COMBINED GENERAL FUND AND SPECIAL FUNDS (CONSOLIDATED REVENUE FUND)

PREAMBLE

The activities of the General Fund and Special Funds, comprising the transactions and balances of the Consolidated Revenue Fund, have been combined for reporting purposes. In these Combined Financial Statements, the transfers between the General Fund and the Special Funds have been eliminated, but General Fund figures have been reported separately in order to provide a comparison of actual General Fund revenues and expenditures to that presented in the 1984/85 Estimates of Revenue and Expenditure and to ensure the reporting of General Fund expenditures is consistent with legislative authority.

Revenue and expenditure are recorded in the Public Accounts on the accrual basis of accounting as expressed in note 1 to the combined financial statements.

Province of
British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR GENERAL'S REPORT

To the Legislative Assembly
of the Province of British Columbia
Parliament Buildings
Victoria, British Columbia

I have examined the combined balance sheet of the Combined General Fund and Special Funds (Consolidated Revenue Fund) of the Government of the Province of British Columbia as at 31 March 1985, and the combined statements of operating results and changes in cash and temporary investments for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances. I have received all the information and explanations I have required.

I report in accordance with section 7 of the *Auditor General Act*. In my opinion, these combined financial statements present fairly the financial position of the Government of the Province of British Columbia as at 31 March 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with the stated accounting policies as set out in Note 1 to these financial statements applied, after giving retroactive effect to the change in the method of recognizing employee leave entitlements as explained in Note 2(a) to these financial statements, on a basis consistent with that of the preceding year.

Erma Morrison

ERMA MORRISON, F.C.A.
Auditor General

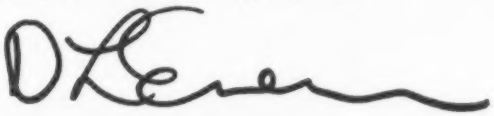
Victoria, British Columbia
31 August 1985

COMBINED BALANCE SHEET AS AT MARCH 31, 1985

	1985	1984
ASSETS	$	$
Cash and temporary investments (note 3)	204,239,334	207,002,191
Accounts receivable (note 4)	694,288,110	735,410,979
Due from Crown corporations and agencies (note 5)	152,521,240	95,405,803
Mortgages receivable (note 6)	269,353,661	265,165,929
Prepaid program costs (note 7)	96,205,420	85,407,407
Inventories (note 8)	48,183,193	42,772,910
Investments in and advances to Crown corporations (note 9)	280,142,816	282,270,016
Fiscal Agency loans (note 10)	1,309,625,903	237,754,556
Property under development (note 11)	57,866,040	53,419,774
Fixed assets (note 1)	1	1
Other assets (note 12)	279,174,010	312,884,870
	3,391,599,728	**2,317,494,436**
LIABILITIES		
Accounts payable and accrued liabilities (note 13)	822,114,222	748,525,589
Due to Crown corporations and agencies (note 14)	169,107,883	141,705,652
Deferred revenue (note 15)	193,949,735	184,793,322
Public debt for the purpose of (note 16)		
—Province of British Columbia	2,475,936,434	1,596,111,670
—Fiscal Agency loans	1,315,760,795	237,754,556
	4,976,869,069	**2,908,890,789**
NET EQUITY		
Net equity (deficiency) — beginning of year as previously reported	(483,516,140)	536,061,336
Accrual of prior years' liability for employee benefits (note 2)	(107,880,213)	(115,378,316)
As restated	(591,396,353)	420,683,020
Net expenditure for the year	(993,872,988)	(1,012,079,373)
Net deficiency — end of year	**(1,585,269,341)**	**(591,396,353)**
	3,391,599,728	**2,317,494,436**
CONTINGENCIES AND COMMITMENTS (note 17)		
Guaranteed Debt	**12,207,358,176**	**12,755,118,837**
TRUST FUNDS (section D)	**11,603,492,198**	**9,760,933,014**

The accompanying notes and supplementary schedules are an integral part of these financial statements.

Approved on behalf of the Ministry of Finance:



D. L. EMERSON
Deputy Minister of Finance and Secretary of Treasury Board

D. B. MARSON
Comptroller General

COMBINED STATEMENT OF OPERATING RESULTS
FOR THE FISCAL YEAR ENDED MARCH 31, 1985

Estimates 1985		1985 General Fund	1985 Special Funds	1985 Adjustments For Transfers Between General Fund and Special Funds[1]	1985 Total	1984 Total
$		$	$	$	$	$
	Revenue					
4,684,000,000	Taxation	4,360,553,321			4,360,553,321	4,063,450,775
679,000,000	Natural resources	289,522,035	720,913,516	(289,522,035)	720,913,516	678,687,779
495,000,000	Other	437,519,401	320,547,688	(200,862,675)	557,204,414	477,909,287
370,000,000	Contributions from Government enterprises	360,302,655			360,302,655	351,544,291
1,491,000,000	Contributions from the Federal Government	1,790,967,833			1,790,967,833	1,772,680,663
7,719,000,000	Total revenue	**7,238,865,245**	**1,041,461,204**	**(490,384,710)**	**7,789,941,739**	**7,344,272,796**
	Expenditure					
157,900,000	General government	166,691,128	3,025,350		169,716,478	154,112,109
379,200,000	Protection of persons and property	411,259,234			411,259,234	414,201,848
554,000,000	Transportation and communications	765,837,762			765,837,762	831,654,727
3,882,500,000	Health and social services	3,991,213,568			3,991,213,568	3,941,609,405
55,600,000	Recreation and cultural services	53,933,730	4,939,233		58,872,963	63,476,775
1,659,500,000	Education	1,728,662,286			1,728,662,286	1,756,984,818
487,800,000	Natural resources and primary industries	453,824,645	338,127,919	(315,794,710)	476,157,854	481,705,036
78,900,000	Trade and industrial development	50,825,519	1,526,031		52,351,550	60,756,715
60,500,000	Housing	55,196,473			55,196,473	80,566,747
290,300,000	Aid to local government	256,463,966	204,710,052	(174,590,000)	286,584,018	308,903,676
237,600,000	Interest on public debt[2]	274,580,712			274,580,712	112,594,092
546,200,000	Other	34,236,953	479,144,876		513,381,829	149,786,220
8,360,000,000	Total expenditure	**8,242,725,976**	**1,031,473,461**	**(490,384,710)**	**8,783,814,727**	**8,356,352,168[3]**
(671,000,000)	Net Revenue (Expenditure) for the Year	**(1,003,860,731)**	**9,987,743**		**(993,872,988)**	**(1,012,079,373)**

[1] Adjustments of $490,384,710 are composed of transfers to the Farm Income Assurance Fund—$26,272,675; Revenue Sharing Fund—$174,590,000; General Fund (from the Resource Revenue Stabilization Fund)—$289,522,035.

[2] Interest on debt for the purposes of the Province and not including interest on borrowings for government bodies (fiscal agency borrowings).

[3] All 1984 operating expenditure, except for Interest on Public Debt, has been restated to reflect the inclusion of employee benefits, telecommunications and certain other expenses in the program costs. This change was implemented at the start of the 1984/85 fiscal year.

The accompanying notes and supplementary schedules are an integral part of these financial statements.

COMBINED STATEMENT OF CHANGES IN CASH AND TEMPORARY INVESTMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1985

	1985		1984	
	$	$	$	$
Balance—Beginning of Year		207,002,191		282,550,897
Operating Transactions				
Revenue	7,789,941,739		7,344,272,795	
Expenditure	8,783,814,727		8,356,352,168	
Net expenditure	(993,872,988)		(1,012,079,373)	
Add: Non-cash items included in net revenue (expenditure)[1]	95,896,585		120,922,242	
Cash items applicable to future operations				
—Change in prepaid program costs	(10,798,013)		3,103,997	
—Change in deferred revenue	9,156,413		93,521,832	
	(1,641,600)		96,625,829	
Used for operations		(899,618,003)		(794,531,302)
Financing Transactions				
Receipts:				
Mortgage principal repayments	35,611,445		42,464,806	
Repayment of investments in and advances to Crown corporations	21,281,336		11,967,160	
Repayment of fiscal agency loans	1,999,508,303		104,413,450	
Property sales—net	9,429,605		34,259,828	
Repayments of other assets	146,106,489		194,981,006	
Debt issue for the purpose of:				
—Province of British Columbia	4,705,445,337		3,779,063,880	
—Fiscal Agency Loans Fund	3,070,519,482		342,168,006	
	9,987,901,997		4,509,318,136	
Payments:				
Mortgages issued	39,799,177		57,315,596	
Investments in and advances to Crown corporations	19,150,644		22,758,300	
Property purchases	13,875,871		23,177,378	
Fiscal agency loans	3,070,519,482		342,168,006	
Investments in other assets	116,476,523		174,402,810	
Debt retirement and sinking fund instalments for:				
—Province of British Columbia	3,837,851,743		3,066,100,000	
—Fiscal Agency Loans Fund	1,993,373,411		104,413,450	
	9,091,046,851		3,790,335,540	
Derived from financing transactions		896,855,146		718,982,596
Decrease in Cash and Temporary Investments		(2,762,857)		(75,548,706)
Balance—End of Year		204,239,334		207,002,191

This statement shows how the activities of the Province have been financed including:
—the extent to which funds have been generated from operating transactions (being those activities which affect operating results) and financing transactions (being those activities which affect assets and liabilities but not the operating results);
— how the financial resources of the Province have been used; and,
—the effect of these activities on the liquid funds (being cash and temporary investments) of the Province.

[1]Non-Cash Items Included in Net Revenue (Expenditure):

Change in accounts receivable	41,122,869	(128,300,210)
Change in due from Crown corporations	(57,115,437)	(22,518,741)
Change in inventories	(5,410,283)	2,602,821
Change in other assets	4,080,894	
Change in accounts payable and due to Crown corporations	100,990,864	293,373,757
Change in investments in and advances to Crown corporations—shares	(3,492)	(24,235,385)
Change in public debt for the purpose of:		
—Province of British Columbia	12,231,170	
—Fiscal Agency Loans Fund	860,168	
Change in fiscal agency loans	(860,168)	
	95,896,585	120,922,242

The accompanying notes and supplementary schedules are an integral part of these financial statements.

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1985

1. Significant Accounting Policies

(a) Reporting Entity

These financial statements include the transactions and balances of the General Fund and Special Funds which combined are known as the Consolidated Revenue Fund. They do not include the accounts of Crown corporations, except to the extent of investments or advances which are carried at cost. Separate consolidated financial statements of the Province are prepared which include the activities of certain of these entities. (*See* Section C.)

For purposes of these financial statements the accounts of the Province are presented as one Consolidated Revenue Fund, which is comprised of:

- General Fund—it includes all transactions of the Province not otherwise earmarked by legislative action, including the accounts of the British Columbia Liquor Distribution Branch, the Queen's Printer and the Purchasing Commission; and
- Special Funds—these are comprised of all amounts set aside from the General Fund by special disposition of the Legislature for specific purposes.

Trust Funds—in addition, the combined balance sheet discloses, on a memorandum basis, trust funds administered by the Government but over which it has no power of appropriation including trust deposits, sinking funds, certain assurance funds and superannuation funds. (*See* Section D for details.)

(b) Principles of Combination

The accounts of the General Fund are combined with the Special Funds after adjusting them to conform with the accounting policies as described below. General Fund expenditures are recorded in accordance with legislative authority. Inter-fund revenue and expenditure transactions are not eliminated from the General Fund accounts (detailed in Section B), but they are eliminated upon combination.

(c) Basis of Accounting

The accrual basis of accounting is used which, for these combined financial statements, is specifically expressed as follows:

Revenue

All revenues are recorded on an accrual basis except where the accruals cannot be determined with a reasonable degree of certainty or where their estimation is impracticable. The exceptions, which normally relate to certain payments to the Province under the *Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act, 1977*, are recorded on a cash basis.

Revenues from Crown corporations are recognized when cash transfers are received or when dividends are declared. The net earnings of British Columbia Petroleum Corporation are reported as revenue of the Province in the Resource Revenue Stabilization Fund, whether received or not, because in substance they are received in lieu of other forms of taxation.

Expenditure

All expenditures, including the cost of fixed assets, are recorded for goods received and services rendered during the year.

Grants are recorded as expenditures. Conditional or fee for service types of grants are expensed when the goods or services have been received or when conditions of a contract have been fulfilled. Unconditional grants, which do not require fulfillment of any terms of a contract before payment, are expensed at the time the funds are disbursed.

Recoveries of expenditure may be permitted as a credit to the appropriate expenditure account when:

(i) they can be specifically identified with the expenditure transactions and payment has actually been made from an appropriation;
(ii) provision for them has been approved through the Estimates or by Treasury Board; and
(iii) the expenditure to which they relate was incurred in the same fiscal year.

Assets

All assets are recorded to the extent that they represent claims upon outside parties or items held for resale to outside parties as a result of events and transactions prior to the year-end. Rental payments for leases which transfer the benefits and risks incident to the ownership of certain assets are reported as expenditures at the dates of inception of the leases.

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1985—Continued

1. Significant Accounting Policies—Continued

Liabilities

All liabilities are recorded to the extent that they represent claims payable to outside parties as a result of events and transactions prior to the year-end.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rate prevailing at the year-end and foreign currency transactions are translated at the exchange rate prevailing at the date of the transaction unless hedged by forward contracts which specify the rate of exchange. Adjustments to revenue or expenditure transactions arising as a result of foreign currency translation are credited or charged to operations at the time the adjustments arise. Unrealized foreign currency gains and losses on long-term, fixed term monetary assets and liabilities are reported as a deferred charge and amortized over the remaining terms of the related items on a straight-line basis.

Non monetary assets and liabilities are translated at historical rates of exchange.

(d) Specific Policies

Cash and Temporary Investments

Cash balances are shown after deducting outstanding cheques issued prior to the year-end. Cheques issued subsequent to the year-end relating to the previous year are included in accounts payable.

Temporary investments represent short-term investments, including those in Crown corporations, made to obtain a return on a temporary basis.

Temporary investments are recorded at the lower of cost and market value.

Accounts Receivable

All amounts receivable (including any trade receivables from Crown corporations and agencies) at the year-end for work performed, goods supplied or services rendered are recorded as part of the revenue of the fiscal year. Provision is made where collectibility is considered doubtful.

Due From Crown Corporations and Agencies

Due from Crown corporations and agencies represent amounts due, other than trade receivables, which will be realized in the following year. Provision is made where collectibility is considered doubtful.

Mortgages Receivable

Mortgages receivable are secured by real estate and are repayable over periods ranging up to thirty years. Provision is made where collectibility is considered doubtful.

Prepaid Program Costs

Prepaid program costs represent expenditures made during the fiscal year for work to be performed, goods to be supplied, services to be rendered or contractual obligations to be fulfilled by outside parties in a subsequent fiscal year.

Inventories

Inventories comprise items held for resale and are recorded at the lower of cost and net realizable value. Inventories of supplies are charged to the respective programs when the cost is incurred.

Investments in and Advances to Crown Corporations

Investments in and advances to Crown corporations represent long-term investments and are recorded at cost unless significant prolonged impairment in value has occurred since the acquisition date, in which case they are written down to recognize this loss in value.

Fiscal Agency Loans

Fiscal Agency loans consist of loans made to government bodies which have been financed by borrowings made by the Minister of Finance, in his capacity as fiscal agent, on behalf of government bodies in accordance with the *Financial Administration Act* (S.B.C. 1981, chap. 15). These loans are recorded at maturity value less unamortized discount and sinking fund balances. Discount is amortized on a straight-line basis over the lives of the loans.

Property Under Development

Property under development is comprised of all property which will eventually be sold to outside parties. Such property is recorded at the lower of cost and net realizable value.

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1985—Continued

1. Significant Accounting Policies—Continued

Fixed Assets

Disbursements for fixed assets are recorded as expenditures in the year the assets are received. Consistent with the reporting of fixed assets as expenditures, highways, bridges, wharves, ferries and ferry landings, buildings, office equipment, furniture, automobiles and 76 million hectares (293,000 square miles) of Crown land comprised of parks, forests and all other publicly held land in the Province are recorded at a nominal value of $1.

Other Assets

Other assets include loans, investments and advances of a miscellaneous nature which are recorded at cost after adjustment for any prolonged impairment in value. Certain deferred charges are also included.

Accounts Payable and Accrued Liabilities

All amounts payable (including trade payables to Crown corporations and agencies) for work performed, goods supplied, services known to have been rendered or for charges incurred in accordance with the terms of a contract are recorded as part of the expenditure of the fiscal year.

Due to Crown Corporations and Agencies

Amounts due to Crown corporations and agencies represent liabilities incurred, other than trade payables, which are repayable in the following year.

Deferred Revenue

Deferred revenue represents amounts received prior to the year-end in payment of revenue that will be earned in subsequent fiscal years.

Public Debt

Public debt represents direct debt obligations for the purposes of the Province of British Columbia and the fiscal agency loans. Fiscal agency loans represent borrowings made by the Minister of Finance, in his capacity as fiscal agent, on behalf of government bodies in accordance with the *Financial Administration Act* (S.B.C. 1981, chap. 15). These obligations are recorded at principal less unamortized discount and sinking fund balances where applicable. Discount is amortized on a straight-line basis over the lives of the respective issues.

Guaranteed Debt

Guaranteed debt represents that debt of municipalities and other local governments, private enterprises and individuals, and debt and minority interests of Provincial Crown corporations which has been explicitly guaranteed or indemnified by the Province under the authority of a statute as to net principal and accrued interest outstanding.

Commitments

Commitments represent obligations of the Province to the extent of contracts and agreements in place at the year-end.

2. Changes in Accounting Policy

(a) A change in policy has been retroactively implemented to recognize accumulated employee sick leave, vacation and other entitlements as liabilities of the Province. Under the previous accounting policy these items were recognized as expenditures in the accounts when paid.
The effect of this change in policy in the 1985 financial statements is to increase the net deficiency at the beginning of the year by $107,880,213 (1984: $115,378,316) to decrease net expenditure by $7,155,338 (1984: $7,498,103) and to increase accrued liabilities by $100,724,875 (1984: $107,880,213).

(b) Effective April 1, 1984 the Province adopted a policy recommended by the Canadian Institute of Chartered Accountants for unrealized foreign currency gains and losses. Unrealized gains and losses on long term, fixed term monetary assets and liabilities are now reported as a deferred charge and amortized over the remaining terms of the related items on a straight line basis.
The effect of this policy change in the 1985 financial statements is to charge the current year's net income with $2,675,516 for amortization of deferred losses and to establish unamortized deferred charges of $12,212,944. Under the previous policy $14,888,460 would have been charged to the current year for foreign currency losses.
The adoption of the new policy had no effect on the financial statements of prior years because they did not contain foreign currency gains and losses on long term monetary assets or liabilities.

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1985—Continued

3. Cash and Temporary Investments

	1985	1984
	$	$
Cash and bank accounts	(30,005,647)	(67,696,524)
Temporary investments	374,436,757	423,467,384
	344,431,110	355,770,860
Less amounts applicable to Trust Funds (*see* Section D)	(140,191,776)	(148,768,669)
	204,239,334	207,002,191

Other than statutory requirements or administrative policies which specifically provide for the maintenance of separate bank accounts, the Government's cash balances and temporary investments are all held in General Fund bank and investment accounts. At year-end, balances applicable to trust funds outside the Consolidated Revenue Fund are deducted from the General Fund balance and reported in the trust fund accounts.

Included in temporary investments are bonds and notes of certain Crown corporations amounting to $292,968 (1984: $18,403,086).

4. Accounts Receivable

	1985			1984
	Gross	Provision For Doubtful Accounts	Net	Net
	$	$	$	$
Government of Canada	76,430,519	243,738	76,186,781	151,778,079
British Columbia municipalities—re: shared-cost programs	25,280,451		25,280,451	31,428,001
Taxes receivable	270,924,553	20,580,000	250,344,553	225,422,215
Timber royalty, stumpage and range fees	43,756,694	11,774,572	31,982,122	47,231,067
School districts, library districts, improvement districts, water districts, co-operative associations, local areas and other	189,809,411		189,809,411	189,455,176
Ministerial advances and sundry agencies	3,943,510	74,020	3,869,490	4,009,094
Trade accounts and other receivables of the—				
Crown Land	8,151,663	4,556,120	3,595,543	1,529,832
British Columbia Liquor Distribution Branch	2,240,349		2,240,349	1,134,257
Queen's Printer	153,869		153,869	131,240
Lottery Fund	8,081,086		8,081,086	9,363,698
Farm Income Assurance Fund	15,790,065		15,790,065	14,112,342
University Endowment Lands Administration	97,480		97,480	90,432
Revenue Sharing Fund	6,543		6,543	
First Citizens Fund				5,210
Accrued interest	39,763,741	133,801	39,629,940	13,093,097
Land sales—principal	3,177,058		3,177,058	3,356,853
Water rentals and recording fees	1,057,074		1,057,074	985,041
Court fees	8,393,466	3,922,679	4,470,787	4,303,476
Sundry fees	17,942,650	4,862,885	13,079,765	16,073,348
Recoveries from Crown corporations	10,977,593		10,977,593	11,671,910
Financial Administration Act, Sec. 22	14,459,083	933	14,458,150	10,236,611
	740,436,858	46,148,748	694,288,110	735,410,979

5. Due From Crown Corporations and Agencies

	1985	1984
	$	$
British Columbia Buildings Corporation	15,114,270	11,011,976
British Columbia Petroleum Corporation	135,904,970	82,891,827
Workers' Compensation Board of British Columbia	1,502,000	1,502,000
	152,521,240	95,405,803

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1985—Continued

6. Mortgages Receivable

	1985	1984
	$	$
Crown Land—first mortgages, fully secured, with terms of up to 30 years and interest rates varying from 4% to 22¼%.	38,082,764	39,210,300
Provincial Home Acquisition—first and second mortgages pursuant to the *Provincial Home Acquisition Act*, *Home Purchase Assistance Act*, and the *Home Conversion and Leasehold Loan Act*, fully secured, with terms of up to 25 years and interest rates varying from 8¼% to 15% (net of provision for doubtful recoveries of $3,000,000; 1984 $2,000,000)	231,270,897	225,955,629
	269,353,661	265,165,929

7. Prepaid Program Costs

	1985	1984
	$	$
Guaranteed Available Income for Need Act	71,787,924	62,743,055
Medical Services Commission of B.C.	18,867,022	13,361,861
Other	5,550,474	9,302,491
	96,205,420	85,407,407

8. Inventories

	1985	1984
	$	$
British Columbia Liquor Distribution Branch	43,103,917	37,244,846
Ministry of Education	510,898	707,721
Ministry of Energy, Mines and Petroleum Resources	139,090	
Ministry of Environment	409,970	519,080
Ministry of Finance	2,425,820	2,425,820
Ministry of Health	730,329	1,020,312
Ministry of Labour	25,624	198,141
Ministry of Municipal Affairs	3,105	2,745
Ministry of Provincial Secretary and Government Services	773,544	654,245
Ministry of Transportation and Highways	60,896	
	48,183,193	42,772,910

9. Investments in and Advances to Crown Corporations

	1985			1984
	Shares and Other Investments	Advances	Total	Total
	$	$	$	$
British Columbia Buildings Corporation		56,832,558	56,832,558	69,654,765
British Columbia Cellulose Company	2		2	2
British Columbia Development Corporation	54,618,300	20,850,000	75,468,300	75,538,300
British Columbia Ferry Corporation	6,851,185		6,851,185	6,851,185
British Columbia Food Exhibitions Ltd. (formerly Surrey Farm Products Investments Limited)	1		1	1
British Columbia Hydro and Power Authority	8,077,086		8,077,086	8,073,595
British Columbia Lottery Corporation	1	13,282,332	13,282,333	
British Columbia Railway Company	37,350,601		37,350,601	37,350,601
British Columbia Steamship Company (1975) Ltd.	5		5	5
British Columbia Transit		55,000,000	55,000,000	55,000,000
Housing Corporation of British Columbia	1		1	1
Pacific Coach Lines Ltd.	2		2	2
Provincial Rental Housing Corporation	633,512	26,647,229	27,280,741	29,801,558
W.L.C. Developments Ltd.	1		1	1
	107,530,697	172,612,119	280,142,816	282,270,016

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1985—Continued

9. Investments in and Advances to Crown Corporations—Continued

(a) Recorded Investments

The above amounts are the Province's recorded investments in and advances to Crown corporations. The entire issued capital stock for each of the above recorded investments is owned by the Province. In addition, a number of other Crown corporations and agencies exist in which the Province has no recorded investment.

(b) British Columbia Cellulose Company

During the year ended March 31, 1984 the Legislature passed the *British Columbia Cellulose Company Repeal Act*. The purpose of this Act is to dissolve British Columbia Cellulose Company and transfer all properties and liabilities to the Crown. This Act has not yet come into force by regulation of the Lieutenant Governor in Council.

(c) British Columbia Food Exhibitions Ltd. (formerly Surrey Farm Products Investments Ltd.)

British Columbia Food Exhibitions Ltd. is currently being organized to carry out an International Food Trade Show "Food Pacific 86".

(d) British Columbia Lottery Corporation (the Corporation)

The British Columbia Lottery Corporation was incorporated on October 25, 1984 for the purpose of conducting and managing lottery games on behalf of the Province. By agreement, dated March 29, 1985 the Province withdrew from the Western Canada Lottery Foundation and designated the Corporation to assume this function. The Corporation also represents the interest of the Province in the Inter-Provincial Lottery Corporation games. Operations of the Corporation commenced April 1, 1985.

During the year the Corporation received from the Province interest free advances totalling $13,282,332 to facilitate initial investments in leaseholds, equipment and furnishings. Advances will be repaid from the operations of the Corporation, and are not subject to any specific repayment terms.

(e) British Columbia Railway Company (the Railway)

The Province holds the entire issued share capital of the British Columbia Railway Company and, pursuant to the *British Columbia Railway Finance Act* (formerly the *British Columbia Railway Construction Loan Act*), guarantees the payment of the principal and interest on all monies borrowed by the Railway. The historic cost of the shares was $257,688,500 and the amount of the debt (net of sinking funds) guaranteed by the Province was $226,322,983 at March 31, 1985.

During the year ended March 31, 1980, the Province's investment, which amounted to $185,572,900, was written down to one dollar and an additional investment of $45 million made in March, 1982 was written off because of the cumulative deficit of the Railway at that date.

During the year ended March 31, 1984, 160,000 shares in the Railway were acquired by the Province at a cost of $16,000,000 in cash and a further 111,156 shares were acquired at a par value of $100 each in exchange for the net railway assets of the British Columbia Harbours Board. In view of the net equity position of the Railway at the time of issue of these shares, their cost is recorded as an asset of the Province.

During the current fiscal year the Province provided $29,359,461 to the Railway to be applied against its historic debt service charges prior to the date of payment of the allocation from the Resource Revenue Stabilization Fund.

On June 15, 1984, the Province of British Columbia paid from the Resource Revenue Stabilization Fund to the Railway $407,642,191 (Canadian) and $17,177,060 (U.S.) to enable the Railway to fully fund its historic debt. These amounts, when added to existing sinking fund balances, permitted the Railway to fund each debt issue on a full and irrevocable basis. The Trustee of the sinking funds used the entire amounts in the sinking funds to purchase promissory notes issued by the Province with a par value of $690,827,000 (Canadian) and $25,747,000 (U.S.). The payment terms and conditions of the promissory notes are sufficient to pay in full all future amounts payable under the terms of the debt issues comprising the historic debt.

The Province instructed the Railway to consolidate its accumulated deficit with contributed surplus as at December 31, 1984 resulting in a transfer from deficit of $242,841,000.

In June, 1984 BC Rail Ltd. issued, through Canadian stock exchanges, eight million Series A Preferred Shares at a price of $25 per share. The common shares of BC Rail Ltd. are owned 25% by the Railway and 75% by BCR Properties Ltd. The Railway holds 100% of the common shares of BCR Properties Ltd.

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1985—Continued

9. Investments in and Advances to Crown Corporations—Continued

(e) British Columbia Railway Company—Continued

The proceeds of $200 million from the sale of the preferred shares were used by BC Rail Ltd. as part payment for the purchase of the railway assets from the Railway, which in turn, applied the $200 million to reduce its notes payable. These notes had been issued as interim financing in connection with the costs of construction of the 129 kilometre Tumbler Ridge Branch Line.

The Province has agreed to pay to a trustee for distribution to holders of Series A Preferred Shares an amount equal to any dividend, retraction, redemption or liquidation payment specified or provided for in the share provisions attaching to the Series A Preferred Shares which is not made by BC Rail Ltd.

(f) British Columbia Systems Corporation (the Corporation)

On August 31, 1983 the Province announced plans to offer all or part of British Columbia Systems Corporation for sale to the private sector. During the year ended March 31, 1985 the Province announced its decision to reject all bids for the Corporation. The Province also announced its plans to streamline the Corporation and to privatize part of the Corporation's services.

As a result, the Corporation has awarded a facilities management contract to Hi-Tech Systems Ltd., a private company owned and operated by former employees of the Corporation. Under the terms of the contract, the company provides the Corporation with management services related to the operation of its central computer facility for a 25-month period ending September 30, 1986. The contract provides for a one-year renewal option, exercisable by the Corporation.

(g) British Columbia Transit

The British Columbia Transit advance represents an interest free promissory note with a principal balance of $55,000,000. This note does not become due and payable until any rail transit system constructed or acquired by British Columbia Transit enters into revenue service operation.

(h) Housing Corporation of British Columbia (the Corporation)

The operations of the Corporation are in the process of voluntary liquidation and the investment of $6,699,760 at March 31, 1980 has been recovered. Pending dissolution the investment is carried at a nominal value of $1.

(i) Pacific Coach Lines Ltd. (the Company)

In the July 7, 1983 Provincial Budget, the Honourable Hugh Curtis, Minister of Finance, announced that the Government intended to give the private sector the opportunity to take over functions and activities not appropriate to Government. On March 31, 1984 the operations of Pacific Coach Lines Ltd. ceased and wind-up of the company is currently in process.

(j) Ocean Falls Corporation

During the year ended March 31, 1984 the Legislature passed the *Ocean Falls Repeal Act*. The purpose of this Act is to dissolve the Ocean Falls Corporation and to transfer all of its property and liabilities to the Crown. This Act has not yet come into force by regulation of the Lieutenant Governor in Council.

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1985—Continued

10. Fiscal Agency Loans[1]

	1985			1984
	Short-Term	Long-Term	Total	Total
	$	$	$	$
British Columbia Assessment Authority	3,319,300		3,319,300	3,578,940
British Columbia Buildings Corporation	49,774,616	74,787,722	124,562,338	69,943,921
British Columbia Educational Institutions Capital Financing Authority		5,188,000	5,188,000	
British Columbia Hydro and Power Authority		353,339,857	353,339,857	
British Columbia Place Ltd.	32,088,357	44,988,710	77,077,067	33,827,560
British Columbia Railway Company	115,891,023	24,787,722	140,678,745	
British Columbia Transit	146,885,709	229,043,708	375,929,417	86,500,000
Certificate of Approval Program[2]	11,694,089		11,694,089	
Expo 86 Corporation	206,388,115		206,388,115	43,904,135
University of British Columbia	11,448,975		11,448,975	
	577,490,184	732,135,719	1,309,625,903	237,754,556

[1] Fiscal agency loans are financed by borrowings made by the Province on behalf of government bodies in accordance with Section 41 of the *Financial Administration Act*. As at March 31, 1985 total borrowings outstanding were $1,315,760,795 (*see* note 16, page B 19) of which $1,309,625,903 was due from government bodies. The balance of $6,134,892 which represents mainly repayment of fiscal agency loans prior to maturity was paid into the Fiscal Agency Loans Fund (*see* B 27) as directed by Section 41.5 (3) of the *Financial Administration Act*. These monies are included in the Province's cash balances as disclosed in note 3, page B 13.

[2] The Certificate of Approval Program was designed to provide interim financing for capital projects undertaken by school districts, hospital districts and post secondary institutions. Capital projects are funded in two ways: (1) through the Province's available bank line of credit and (2) through the Canadian and U.S. promissory note program. The program utilizes the borrowing power of the Province to obtain capital financing at lower rates than these authorities could obtain by themselves.

11. Property Under Development

	1985	1984
	$	$
Crown Land—real estate	57,866,040	53,419,774

12. Other Assets

	1985	1984
	$	$
Investments—		
British Columbia Regional Hospital Districts Financing Authority	12,000,000	12,000,000
British Columbia School Districts Capital Financing Authority	44,080,059	44,075,786
British Columbia Resources Investment Corporation		1,823
Loans under the—		
Farm Product Industry Act	1,746,276	1,761,276
Ministry of Industry and Small Business Development Act	70,245,018	69,590,787
Agricultural Land Development Act	18,291,718	18,798,331
Oyster Seed Program	3,593	10,567
Downtown Revitalization	10,839,235	7,719,320
Advances—		
City of Penticton	150,000	150,000
British Columbia Credit Unions under Housing Initiative Program Agreement	31,638,219	96,342,805
Homeowner Assistance Act	79,917,766	73,866,207
Agricultural Land Commission Act	808,444	672,952
Crop Insurance Stabilization	5,100,000	
Unamortized discount and issue costs on Public Debt	9,820,750	3,784,994
Unamortized foreign exchange losses *less* gains	12,212,944	
Other	17,620	426,959
	296,871,642	329,201,807
Less provision for doubtful accounts	(17,697,632)	(16,316,937)
	279,174,010	312,884,870

The provision for doubtful accounts is comprised of—*Farm Product Industry Act* ($1,099,999), *Ministry of Industry and Small Business Development Act* ($15,540,271), *Homeowner Assistance Act* ($1,039,742) and Other ($17,620).

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1985—Continued

13. Accounts Payable

Included in the accounts payable and accrued liabilities is $50,306,326 (1984: $38,132,000) in claims made under section 88 of the *Forest Act*. These claims are for work such as the construction of logging access roads and structures, reforestation, silviculture and similar activities performed. Payment to the companies concerned is only made as an offset against related timber stumpage revenues which would otherwise be paid to the Province.

14. Due To Crown Corporations and Agencies

	1985	1984
	$	$
British Columbia Assessment Authority		256,980
British Columbia Development Corporation	2,150,546	732,324
British Columbia Housing Management Commission	17,500	
British Columbia Hydro and Power Authority	87,177	500,000
British Columbia Institute of Technology	381,777	1,478,407
British Columbia Transit	10,996,651	1,005,000
Legal Services Society	420,000	
Medical Services Commission of B.C.	143,045,917	130,300,873
Pacific Vocational Institute	1,190,800	851,743
Simon Fraser University	1,536,111	1,604,594
University of British Columbia	6,570,681	3,996,736
University of Victoria	977,219	978,995
Workers' Compensation Board of British Columbia	1,733,504	
	169,107,883	141,705,652

15. Deferred Revenue

	1985	1984
	$	$
Taxation—Property tax	720,748	
Natural Resources Revenue		
Minerals—permits and fees	31,892,784	26,991,000
Water resources—water rentals and recording fees	51,596,804	46,949,385
Timber harvesting, rentals and fees	4,871,912	5,413,518
Forest Protection Agreement		334,535
Other Revenue		
Licence Revenue	63,297,000	71,138,000
Land leases	3,673,040	4,253,164
Land sales	4,983,724	3,207,713
Miscellaneous sales and services	2,348,861	3,100,531
Contributions from the Federal Government		
Canada Assistance Plan	30,564,862	23,405,476
	193,949,735	184,793,322

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1985—Continued

16. Public Debt

	1985	1984
	$	$
For the purpose of Province of British Columbia		
Short term promissory notes	28,022,109	95,737,500
Less: Unamortized discount		134,470
	28,022,109	95,603,030
91 day Treasury Bills	780,000,000	780,000,000
Less: Unamortized discount	9,790,115	9,645,135
	770,209,885	770,354,865
Notes and bonds net of sinking fund balances of $8,598,218 (1984 — Nil)	1,870,487,464	732,047,790
Less: Unamortized discount	192,783,024	1,894,015
	1,677,704,440	730,153,775
Total Province of British Columbia Borrowings	**2,475,936,434**	**1,596,111,670**
Fiscal Agency Loans		
Short term promissory notes	593,095,328	141,900,201
Less: Unamortized discount	9,470,252	645,645
	583,625,076	141,254,556
Notes, bonds and debentures net of sinking fund balances of $2,481,969 (1984 — Nil)	745,555,551	109,000,000
Less: Unamortized discount	13,419,832	12,500,000
	732,135,719	96,500,000
Total Fiscal Agency Borrowings	**1,315,760,795**	**237,754,556**
TOTAL PUBLIC DEBT	**3,791,697,229**	**1,833,866,226**

See Schedule of Public Debt on B 44 for further details.

17. Contingencies and Commitments

(a) Guaranteed Debt

Guaranteed debt as at March 31, 1985 totalled $12,207 million. Included in guaranteed debt is that debt of municipalities and other local governments, private enterprises and individuals, and debt and minority interests of Provincial Crown corporations which has been explicitly guaranteed or indemnified by the Province under the authority of a statute as to net principal and accrued interest outstanding. See Schedule of Guaranteed Debt on B 42 for details.

(b) Contingent Liabilities

(i) Pending Litigation

The Government is a defendant in legal actions which may give rise to future liabilities. Because the outcome of the litigation is uncertain no amount has been recorded in these financial statements.

The Government has a contingent liability in respect of the following summary of cases where the estimated or known claim exceeds $100,000:

(a) A number of airline and railroad companies are challenging the Province's ability to tax the fuel consumed for their operations and to collect sales tax on aircraft; the amounts in issue total $9 million.

(b) Various claims totalling $9.8 million against assessments for social services, logging, mining, and corporation capital tax.

(c) Various legal actions totalling $7.2 million, (each under $2 million and over $100,000), representing claims of damages to persons and property or other miscellaneous claims.

(ii) Other Contingent Liabilities

The Government also has contingent liabilities in the form of indemnities, indirect guarantees and outstanding claims. Because these amounts are uncertain no liability for them has been recorded in these financial statements.

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1985—Continued

17. Contingencies and Commitments—Continued

(c) Commitments

General

At the end of each year the Government has a number of general commitments outstanding for ongoing programs and operations. Such future expenditures are charged to the appropriation in the year in which the work or service is performed. Commitments for capital construction projects totalled approximately $230 million, and commitments of a non-capital nature totalled approximately $380 million.

Expo '86 Corporation (The Corporation)

The Province of British Columbia has committed $250 million of Lotto 6/49 funds to the Corporation. Up to March 31, 1985, Lotto 6/49 contributions to the Corporation totalled $53,199,346.

(d) Superannuation and Pension Actuarial Valuations

The Government has statutory responsibility for unfunded liabilities of the Public Service Superannuation Fund and the Teachers' Pension Fund as follows:

	Public Service Superannuation as at March 31, 1980[1]	Teachers' Pension as at December 31, 1980[1]
	$	$
Assets		
Fund	1,069,594,000	716,697,000
Present value of future contributions	1,071,750,000	1,805,273,000
	2,141,344,000	2,521,970,000
Unfunded Liability	631,172,000	1,019,270,000
Total Actuarial Liability	2,772,516,000	3,541,240,000

See Section H of the Public Accounts for further details of these plans.

[1]New actuarial valuations are currently in process.

18. Subsequent Events

(a) Province of British Columbia (the Province)

In April 1985, the British Columbia Educational Institutions Capital Financing Authority purchased subordinated debentures of the Canadian Commercial Bank in the amount of $13 million. The purchase was made under an agreement with the Province in which the Authority was indemnified from and against any and all losses which might be incurred as a result of the purchase. This arrangement represented the Province's participation in the refinancing of the Canadian Commercial Bank at that time. Four months later, at which time the Province's only investment in the Canadian Commercial Bank was through the above-noted debentures, the Government of Canada announced that it was seeking a court-ordered liquidation of the bank. The amount that the Province may be called upon to pay to the Authority pursuant to the indemnity is uncertain.

(b) British Columbia Harbours Board (the Board)

Sections 2 and 3 of the *British Columbia Harbours Board Repeal Act* which provide for the repeal of the *Harbour Board Act* and dissolution of the Board respectively, came into force May 30, 1985.

(c) British Columbia Lottery Corporation (the Corporation)

On June 28, 1985 the Legislature passed the *Lottery Corporation Act* (Bill 43). The purpose of this Act is to continue the Corporation as a Crown corporation established by statute. This Act has not yet come into force by regulation of the Lieutenant Governor in Council.

(d) British Columbia Petroleum Corporation (the Corporation)

The British Columbia Petroleum Corporation at March 31, 1985 had a liability for future gas supply of $30,475,487. This liability represented payments received from a distributor in 1981, 1982 and 1983 who was unable to take delivery of the gas purchased. Such gas volumes may be recovered from the Corporation within five years from the date incurred without further payment. Subsequent to March 31, 1985 the Corporation agreed to return, by July 1, 1985, the volumes of gas represented by the amount of $30,475,487, being the Corporation's liability for future gas supply, to the distributor who paid for those volumes. The net loss of revenues on the volumes of gas returned to the distributor amounts to approximately $13,500,000.

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1985—Continued

18. Subsequent Events—Continued

(e) British Columbia Transit

Effective June 1, 1985, the *British Columbia Transit Amendment Act (No. 2), 1985* merged the Metro Transit Operating Company with British Columbia Transit. Pursuant to the Act, British Columbia Transit assumed all property, rights, debts and obligations as well as responsibility for all employees of the Metro Transit Operating Company.

19. Comparatives

Certain of the comparative figures for previous years have been reclassified to conform with the current year's presentation. These reclassifications have had no effect on the operating results or fund balances as previously reported.

SCHEDULE OF COMBINED GENERAL FUND AND SPECIAL FUNDS REVENUE BY SOURCES FOR THE FISCAL YEARS ENDED MARCH 31

	1981	1982	1983	1984	1985
	$	$	$	$	$
Taxation Revenue—					
Personal income	1,369,211,996	1,848,153,074	2,008,152,085	1,818,815,006	1,853,296,653
Corporation income	456,608,866	579,997,631	188,550,277	309,470,082	366,164,204
Social service	757,974,947	1,129,542,193	999,449,345	1,201,338,425	1,331,342,643
Gasoline	202,536,160	331,657,359	348,718,971	370,554,377	411,932,509
Motive fuel use	28,983,775	39,729,670	40,254,002	50,513,372	56,394,694
Fuel oil	16,763				
Tobacco	74,654,794	102,883,691	109,109,479	138,450,501	15[illegible]15,452
Corporation capital	52,676,696	89,779,068	83,833,538	85,782,350	[illegible]98,874
Property (rural areas)	25,961,274	43,437,585	40,745,157	36,789,104	41,008,063
Insurance premium	17,484,993	20,210,237	21,141,440	20,920,174	22,039,794
Hotel room	15,487,945	23,672,817	22,550,007	23,215,930	25,099,624
Horse racing	6,035,987	7,618,292	7,164,243	7,701,216	6,801,580
Succession and gift	936,688	14,216		(99,762)	159,231
Total Taxation Revenue	**3,008,570,884**	**4,216,695,833**	**3,869,668,544**	**4,063,450,775**	**4,360,553,321**
Natural Resource Revenue—					
Minerals—					
Petroleum and natural gas—					
British Columbia Petroleum Corporation	208,326,333	219,922,383	96,048,923	166,230,913	140,013,142
Permits and fees	156,459,474	69,793,298	49,253,175	70,380,793	97,811,166
Royalties	50,896,824	67,164,102	83,523,655	96,652,028	100,061,797
Revenue from other minerals	119,593,185	62,454,453	32,454,641	31,616,719	54,223,756
	535,275,816	419,334,236	261,280,394	364,880,453	392,109,861
Forests—					
Logging tax	45,556,100	12,276,852	2,074,182	956,421	4,313,466
Timber sales	233,525,954	78,442,028	64,700,259	103,833,898	97,411,290
Forest scaling fees	9,085,999	7,337,736	5,738,935	8,941,426	5,417,582
Other forest revenue	12,122,787	8,666,143	10,391,964	17,163,860	20,161,932
	300,290,840	106,722,759	82,905,340	130,895,605	127,304,270
Water resources	20,157,482	64,990,853	187,429,850	171,995,181	190,840,415
Wildlife Act—fees and licences	6,214,134	6,555,038	10,935,035	10,916,540	10,658,970
Total Natural Resource Revenue	**861,938,272**	**597,602,886**	**542,550,619**	**678,687,779**	**720,913,516**
Other Revenue—					
Sales and services—					
Farm income assurance	8,939,518	43,305,107	28,338,001	31,843,481	26,272,675
Lottery	25,424,417	25,913,997	28,137,960	60,021,992	84,493,299
Land registry fees	36,399,084	31,161,375	27,056,219	31,035,564	27,318,053
Land leases, rentals and fees	9,518,087	8,104,305	17,119,741	12,448,413	13,686,163
Other	45,560,825	69,879,676	49,704,795	48,374,414	49,800,115
	125,841,931	178,364,460	150,356,716	183,723,864	201,570,305
Licences and permits—					
Motor vehicle licences and permits	81,561,138	103,504,451	102,107,910	39,827,653	124,191,583
Other	35,961,487	41,832,114	44,045,671	43,673,900	46,469,541
	117,522,625	145,336,565	146,153,581	83,501,553	170,661,124
Fines and penalties	14,709,493	19,014,445	15,250,866	16,395,065	16,248,367
Income from investments	225,716,888	211,475,421	91,321,248	77,148,502	106,352,207
Recoveries of grants and contributions	2,182,223				
British Columbia Place Ltd. — dividends, non-recurring recovery of previous grants			65,000,000		
British Columbia Cellulose Company — dividends			5,000,000		
Municipal and other governments	29,621,903	32,837,631	18,466,674	3,876,161	3,325,934
Miscellaneous	46,980,182	93,283,860	71,842,571	113,264,142	59,046,477
Total Other Revenue	**562,575,245**	**680,312,382**	**563,391,656**	**477,909,287**	**557,204,414**

SCHEDULE OF COMBINED GENERAL FUND AND SPECIAL FUNDS REVENUE BY SOURCES FOR THE FISCAL YEARS ENDED MARCH 31—Continued

	1981	1982	1983	1984	1985
	$	$	$	$	$
Contributions from Government Enterprises—					
Liquor Distribution Branch	274,548,747	315,839,210	337,854,900	351,525,246	355,898,655
British Columbia Buildings Corporation	17,045,000	8,005,000			4,404,000
British Columbia Systems Corporation	1,522,000	2,676,000		19,045	
Total Contributions from Government Enterprises	**293,115,747**	**326,520,210**	**337,854,900**	**351,544,291**	**360,302,655**
Contributions from the Federal Government—					
Established programs financing	638,388,000	643,861,000	652,360,000	928,536,000	1,059,490,000
Fiscal stabilization				139,000,000	35,000,000
Canada Assistance Plan	312,856,926	320,167,884	460,005,833	543,710,297	572,860,899
Statutory and other subsidies	7,352,468	7,595,929	9,232,574	7,241,818	5,895,275
Other shared costs and grants in aid	117,927,500	110,692,549	94,025,647	137,877 548	98,403,659
Reciprocal Taxation Agreement				16,315,000	19,318,000
Total Contributions from the Federal Government	**1,076,524,894**	**1,082,317,362**	**1,215,624,054**	**1,772,680,663**	**1,790,967,833**
Total Gross Revenue	**5,802,725,042**	**6,903,448,673**	**6,529,089,773**	**7,344,272,795**	**7,789,941,739**
Reconciliation with Summaries of Revenue—					
General Fund	5,699,889,486	6,773,703,062	7,327,745,838	7,242,388,185	7,238,865,245
Less transfers from Special Funds	(12,660,764)	(62,768,481)	(1,405,730,330)	(677,267,349)	(289,522,035)
Special Funds	636,046,302	488,913,886	873,667,613	1,030,516,017	1,041,461,204
Less transfers from General Fund	(520,549,982)	(296,399,794)	(266,593,348)	(251,364,058)	(200,862,675)
	5,802,725,042	**6,903,448,673**	**6,529,089,773**	**7,344,272,795**	**7,789,941,739**

SCHEDULE OF COMBINED GENERAL FUND AND SPECIAL FUNDS EXPENDITURE BY FUNCTION FOR THE FISCAL YEARS ENDED MARCH 31

	1981	1982	1983	1984	1985
	$	$	$	$	$
General Government—					
Administrative	114,446,783	135,272,130	145,129,399	133,730,634	158,863,885
Legislative—					
Elections	1,732,323	3,598,653	6,892,751	10,828,286	2,610,532
Legislative Assembly and Government House	8,524,818	8,878,483	8,075,752	9,553,189	8,242,061
Total General Government	**124,703,924**	**147,749,266**	**160,097,902**	**154,112,109**	**169,716,478**
Protection of Persons and Property—					
Law enforcement	101,650,724	120,416,685	130,068,014	142,332,993	146,487,760
Corrections	88,481,895	94,915,883	108,154,126	110,644,158	107,003,400
Police protection	47,911,217	54,291,165	67,630,853	73,930,829	75,249,966
Registration, regulation, inspection, trusteeship	73,448,747	87,314,754	89,590,119	87,293,868	82,518,108
Total Protection of Persons and Property	**311,492,583**	**356,938,487**	**395,443,112**	**414,201,848**	**411,259,234**
Transportation and Communications—					
Highways, roads, bridges and airports	489,332,560	505,859,762	455,409,698	670,432,825	644,728,658
Waterways, ferries, docks and wharves	29,639,878	57,820,007	43,389,549	36,400,569	35,478,210
British Columbia Ferries	57,928,384	63,712,166	47,820,819	47,821,333	47,821,433
British Columbia Railway	84,000,000	128,151,155	77,000,000	77,000,000	37,809,461
Total Transportation and Communications	**660,900,822**	**755,543,090**	**623,620,066**	**831,654,727**	**765,837,762**
Health and Social Services—					
Health—					
Administration	22,056,343	19,093,359	19,441,811	22,774,229	29,453,535
Public health	105,027,207	126,321,834	171,137,220	142,264,684	156,249,954
Medical, dental and allied services	468,024,244	574,503,700	650,673,569	850,800,449	763,009,622
Hospital care—					
Administration	7,036,397	8,000,309	7,923,008	7,521,149	11,310,172
Payments to local hospitals	971,110,988	1,095,164,258	1,254,323,444	1,326,039,155	1,374,143,276
Provincial mental hospitals	126,889,556	150,380,313	166,788,754	175,921,242	172,548,174
Social Services—					
Administration	96,448,355	109,824,226	115,575,091	119,281,030	131,537,031
Aid to aged persons	32,204,678	37,107,344	39,373,857	34,036,131	32,699,283
Social assistance	623,724,689	701,678,600	892,497,370	1,112,692,519	1,176,985,039
Child welfare	83,953,048	104,379,375	135,101,840	139,602,469	132,483,059
Labour relations, industrial conciliation and arbitration	11,323,840	10,794,029	12,460,255	10,676,348	10,794,423
Total Health and Social Services	**2,547,799,345**	**2,937,247,347**	**3,465,296,219**	**3,941,809,405**	**3,991,213,568**

SCHEDULE OF COMBINED GENERAL FUND AND SPECIAL FUNDS EXPENDITURE BY FUNCTION FOR THE FISCAL YEARS ENDED MARCH 31 — Continued

	1981	1982	1983	1984	1985
	$	$	$	$	$
Recreation and Cultural Services—					
Archives, art galleries, museums and libraries	18,472,106	20,207,230	16,888,383	18,818,513	17,344,553
Parks, beaches and other recreational areas	49,487,927	50,591,055	37,952,033	36,555,733	34,703,639
Physical culture	7,776,708	4,399,130	3,349,045	3,825,833	2,970,474
Other	6,064,750	5,969,060	4,996,370	4,276,696	3,854,297
Total Recreation and Cultural Services	**81,801,491**	**81,166,475**	**63,185,831**	**63,476,775**	**58,872,963**
Education—					
Administration	8,760,610	10,010,172	15,530,752	14,244,754	14,304,813
Schools operated by local authorities—					
Operating grants	465,827,304	530,152,224	585,253,642	631,202,171	651,171,481
Home-owner grants (school-levy portion)	216,220,230	228,877,782	235,661,041	236,742,485	242,182,490
Aids and services	34,295,451	37,350,367	27,246,303	26,035,343	27,881,712
Universities, colleges, vocational and other schools	511,342,595	632,147,931	689,109,548	698,067,941	654,513,528
Independent schools	10,854,527	13,239,672	17,171,821	37,901,416	24,866,464
Education of the handicapped	3,906,740	8,500,373	5,831,335	7,998,267	8,127,611
Teachers' pensions and unemployment insurance	69,046,446	96,385,037	103,210,207	104,792,441	105,614,187
Total Education	**1,320,253,903**	**1,556,663,558**	**1,679,014,849**	**1,756,984,818**	**1,728,662,286**
Natural Resource and Primary Industries—					
Fish and game	16,567,838	19,541,424	19,678,224	20,514,639	20,823,445
Forests (including fire suppression)	200,873,822	250,124,234	2o5,479,527	233,964,389	251,798,540
Lands-settlement and agriculture	107,065,742	185,903,116	155,412,015	159,051,812	139,275,913
Minerals and mines	22,242,553	24,592,107	20,643,424	17,791,913	23,056,108
Water resources	36,561,431	40,031,890	34,094,495	50,382,283	41,203,848
Other	8,360,472	1,745,750			
Total Natural Resource and Primary Industries	**391,671,858**	**521,938,521**	**495,307,885**	**481,705,036**	**476,157,854**
Trade and Industrial Development	**79,046,616**	**88,309,337**	**59,808,755**	**60,756,715**	**52,351,550**
Housing—					
Home-owner grants (nonschool-levy portion)	25,337,139	26,075,767	25,766,231	26,304,721	25,909,165
Home-acquisition	25,587,784	21,372,090	22,116,318	23,560,828	6,313,104
Renters' grants	21,688,625	21,627,785	22,044,034	467,247	
Other	46,318,516	45,763,646	52,179,909	30,233,951	22,974,204
Total Housing	**118,932,064**	**114,838,288**	**122,106,492**	**80,566,747**	**55,196,473**
Aid to Local Government—					
Grants in aid of local government	218,483,744	264,733,057	212,557,750	215,796,116	209,537,981
Transit subsidy	72,853,435	89,757,666	86,408,473	84,188,223	68,365,757
Planning and development	3,568,911	4,191,708	5,263,170	5,169,428	4,850,063
University Endowment Lands	2,830,658	3,490,921	3,977,510	3,749,909	3,830,217
Total Aid to Local Government	**297,736,748**	**362,173,352**	**308,206,903**	**308,903,676**	**286,584,018**
Interest on Public Debt[1]	**19,298,398**	**16,917,773**	**29,329,459**	**112,564,092**	**274,580,712**

SCHEDULE OF COMBINED GENERAL FUND AND SPECIAL FUNDS EXPENDITURE BY FUNCTION FOR THE FISCAL YEARS ENDED MARCH 31 — Continued

	1981	1982	1983	1984	1985
	$	$	$	$	$
Other Expenditure—					
Provincial Emergency Program	9,870,012	8,749,909	5,921,657	5,821,533	9,201,355
Special Employment Program	26,159,317	17,760,557	46,134,936	38,243,518	10,635,792
Interest on deposits and revenue refunds	13,920,532	17,766,471	1,552,448	898,997	1,311,097
Lottery Fund grants	11,634,227	16,132,831	28,658,227	56,761,841	49,175,942
Crown corporation grants and other payments	21,838,889	53,358,895	10,000,000	46,228,520	439,968,934[2]
British Columbia Resources Investment Corporation—					
—Revaluation adjustment	22,004,858				
—Donation of investment		25,019,744			
Transfer of property to British Columbia Buildings Corporation		5,918,571	20,012,926	392,104	2,961,009
Sundry	393,000	3,276,675	597,500	1,439,707	127,700
Total Other Expenditure	**105,820,835**	**147,983,653**	**112,877,894**	**149,786,220**	**513,381,829**
Total Combined Expenditure	**6,059,459,587**	**7,087,470,147**	**7,513,294,767**	**8,356,352,168[3]**	**8,783,814,727**
Reconciliation with Summaries of Expenditure—					
General Fund	6,278,937,580	6,868,665,092	7,469,667,609	8,266,379,841[3]	8,242,725,976
Less transfers to Special Funds	(520,549,982)	(296,399,794)	(266,593,348)	(251,364,058)	(200,862,675)
Special Funds	313,732,753	577,973,330	1,715,950,836	1,018,603,734	1,031,473,461
Less transfers to General Fund	(12,660,764)	(62,768,481)	(1,405,730,330)	(677,267,349)	(289,522,035)
	6,059,459,587	**7,087,470,147**	**7,513,294,767**	**8,356,352,168[3]**	**8,783,814,727**

[1] Interest on debt for the purposes of the Province and not including interest on borrowings for government bodies (fiscal agency borrowings).

[2] Includes $429,968,934 paid to the British Columbia Railway Company to provide for the retirement of long-term debt.

[3] All 1984 and prior Expenditure, by Function, except for Interest on Public Debt, has been restated to reflect the inclusion of employee benefits, telecommunications and certain other expenses in the applicable detailed function. This change was implemented at the start of the 1984/85 fiscal year.

SCHEDULE OF SPECIAL FUNDS TRANSACTIONS AND BALANCES FOR THE FISCAL YEAR ENDED MARCH 31, 1985

	Balance March 31, 1984[3]	Revenue[2]	Expenditures[1]	Balance March 31, 1985[3]
	$	$	$	$
Perpetual Funds—				
British Columbia Cultural Fund—				
Capital Account	20,000,000			20,000,000
Current Account	532,355	1,613,584	1,541,152	604,787
First Citizens' Fund—				
Capital Account	25,000,000			25,000,000
Current Account	1,246,572	1,942,932	1,674,708	1,514,796
Physical Fitness and Amateur Sports Fund—				
Capital Account	20,000,000			20,000,000
Current Account	650,230	1,616,307	1,723,373	543,164
	67,429,157	5,172,823	4,939,233	67,662,747
Other Funds—				
Farm Income Assurance Fund[2,3]				
Contributed reserve	9,674,624			9,674,624
Operating balance	(6,312,920)	53,062,971	47,286,810	(536,759)
Fiscal Agency Loans Fund[4]	1,121,200	1,599,081	1,319,074	1,401,207
Habitat Conservation Fund	25,927,295	3,052,061	1,526,031	27,453,325
Industrial Development Subsidiary Agreement Loan Repayment Revolving Fund[2]	29,444,311	84,493,299	52,201,292	61,736,318[5]
Lottery Fund		719,490,969	719,490,969	
Resource Revenue Stabilization Fund[1]	30,127,945	174,590,000	204,710,052	7,893
Revenue Sharing Fund[2]	89,982,455	1,036,288,381	1,026,534,228	99,736,608
Total Special Funds	**157,411,612**	**1,041,461,204**	**1,031,473,461**	**167,398,355**

[1] Special Fund expenditures include amounts transferred as revenue to the General Fund as follows:
A balance of $289,522,035 in the Resource Revenue Stabilization Fund was transferred to the General Fund by order of the Lieutenant Governor in Council under section 4 of the *Resources Revenue Stabilization Fund Act*.

[2] Special Fund revenues include amounts transferred as expenditures from the General Fund as follows:
Farm Income Assurance Fund—$26,272,675.
Revenue Sharing Fund—$174,590,000.

[3] Balance of the Farm Income Assurance Fund has been separated into its components of a contributed reserve for stabilization account and operating or current account balance. The contributed reserve represents the remains of advances made by the Provincial government to the Fund to cover short term deficits of individual programs.

[4] Fiscal Agency Loans Fund was established under section 41.2 of the *Financial Administration Act* and is used to hold amounts in transit through the government accounts as loans made to government bodies from funds borrowed by the government for that specific purpose. All revenue and expenses incurred through these transactions are considered applicable to either the general fund or the end borrowing body, and therefore, this fund has no revenue or expenditure to report. Since all borrowings are general fund liabilities, the assets held in this fund are also considered as payable to the general fund, and no fund balance will ever remain after recognition of the payables.

[5] The balance of the Lottery Fund at March 31, 1985 includes $13,282,332 recoverable advance to the British Columbia Lottery Corporation.

SCHEDULE OF COMBINED GENERAL FUND AND SPECIAL FUNDS EXPENDITURE BY OBJECTS OF EXPENDITURE CLASSIFICATION (GROUPED)[3] FOR THE FISCAL YEAR ENDED MARCH 31, 1985

Ministry	Salaries and Benefits	Operating Costs	Asset Acquisitions	Grants and Contributions	Other Expenditures	Less: Recoveries	Total Expenditures
	$	$	$	$	$	$	$
Legislation	4,202,167	877,203	273,651	62,581	2,193,447		7,609,049
Auditor General	2,901,169	713,418	25,678	5,000		(164,634)	3,480,631
Ombudsman	1,166,748	773,610	60,395				2,000,753
Premier's Office	547,677	134,805	13,177				695,659
Agriculture and Food	16,439,306	8,309,770	944,079	37,859,353[1]	3,915,615	(152,816)	67,315,307
Attorney General	144,724,088	100,752,832	5,543,073	108,910,713	15,196,219	(5,276,863)	369,850,062
Consumer and Corporate Affairs	13,231,773	5,703,998	674,534				19,610,305
Education	14,509,967	29,132,968	2,371,499	2,060,286,048	1,509,073	(710,238,339)	1,397,571,216
Energy, Mines and Petroleum Resources	12,111,108	13,042,276	581,002	1,511,120		(553,892)	26,691,614
Environment	48,046,181	34,294,124	11,415,919	3,061,119	4,067	(1,357,175)	95,464,235
Finance	32,290,893	21,827,222	950,996	8,590,642	90,913,342	(95,392,237)	59,180,858
Forests	121,010,258	126,860,825	11,079,346	1,955,000	7,705	(6,103,950)	254,809,184
Health	219,171,511	98,020,684	4,932,244	2,249,614,115	190,561	(14,343,077)	2,557,586,038
Human Resources	136,605,231	53,707,478	3,801,626	1,226,118,038		(3,192,526)	1,417,039,847
Industry and Small Business Development	7,017,999	5,753,059	184,794	39,929,008	1,096,480	(21,105)	53,960,235
Intergovernmental Relations	1,534,844	538,600	124,455	40,000			2,237,899
International Trade and Investment	137,040	157,364	10,659	23,222			328,285
Labour	26,527,607	8,633,406	1,368,258	17,812,876		(1,925,432)	52,416,715
Lands, Parks and Housing	35,998,979	18,975,978	3,430,232	16,264,011	14,178,143	(951,630)	87,895,713
Municipal Affairs	3,604,005	1,295,717	111,785	179,435,154[1]			184,446,661
Provincial Secretary and Government Services	37,667,238	47,481,469	1,776,438	7,091,387	562,851	(13,960,146)	80,619,237
Tourism	2,989,704	3,775,916	80,413	781,303	1,102	(590,713)	7,037,725
Transportation and Highways	208,376,863	238,516,034	274,103,939	56,105,068	124,219	(859,742)	776,366,381
Universities, Science and Communications	3,126,176	1,535,782	1,140,882	338,289,005		(3,979,937)	340,111,908
Other Voted Appropriations	5,607,200	6,582,328		88,901,972	277,308,959		378,400,459
Less: Transfers to Special Funds				(200,862,675)[1]			(200,862,675)
Special Funds	804,360	3,405,291	86,751	978,364,219[2]	48,812,840		1,031,473,461
Less: Transfers to General Fund				(289,522,035)[2]			(289,522,035)
Combined Expenditure	1,100,350,092	830,802,157	325,085,825	6,930,626,244	456,014,623	(859,064,214)	8,783,814,727
Comparative—1984 Combined Expenditure	1,168,196,236	888,981,922	299,294,154	6,579,420,246	211,963,859	(791,504,249)	8,356,352,168

[1] Transfers to Special Funds of $200,862,675 are composed of Agriculture (Farm Income Assurance) $26,272,675 and Municipal Affairs (Revenue Sharing Fund) $174,590,000.

[2] Transfer to the General Fund of $289,522,035 is composed of revenue from the Resource Revenue Stabilization Fund.

[3] The grouped expenditure classification has been revised to correspond to the Estimates' group account classification. The 1984 comparative expenditures also have been restated.

SCHEDULE OF RESOURCE REVENUE BY SOURCE FOR THE FISCAL YEAR ENDED MARCH 31, 1985

Estimated	Source	Revenue		
$		$	$	$
	Petroleum and Natural Gas:			
116,000,000	British Columbia Petroleum Corporation	140,013,142		
61,000,000	Permits and Fees[1]	97,811,166		
96,000,000	Petroleum and Natural Gas Royalties	100,061,797		
273,000,000			337,886,105	
	Minerals:			
1,000,000	Mining Tax	2,182,576		
4,500,000	Mineral Resource Tax	5,850,159		
16,500,000	Mineral Land Tax	17,408,539		
13,000,000	Coal, Minerals and Metals Royalties	21,653,351		
7,000,000	Miscellaneous Mining Receipts	7,129,131		
42,000,000			54,223,756	
	Forests:			
2,000,000	Logging Tax	4,313,466		
140,000,000	Timber Sales[2]	97,411,290		
12,000,000	Timber Royalties	14,663,507		
5,000,000	Forest Scaling Fees	5,417,582		
4,000,000	Miscellaneous Forest Receipts	5,498,425		
163,000,000			127,304,270	
	Other:			
189,000,000	Water Rentals and Recording Fees	190,840,415		
12,000,000	*Wildlife Act*—Fees and Licences	10,658,970		
201,000,000			201,499,385	
679,000,000	**Total Resource Revenue**			720,913,516
	Habitat Conservation Fund's Share of Resource Revenue			1,422,547
	General Fund's Share of Resource Revenue[3]			289,522,035
	Resource Revenue Stabilization Fund's Share of Resource Revenue			429,968,934
				720,913,516

[1] Permits and Fees are net of offsets allowed under section 68 of the *Petroleum and Natural Gas Act* of $2,166,000.

[2] Timber sales are net of stumpage offsets allowed under section 88 of the *Forest Act*—$65,510,947 (Estimates $59,000,000).

[3] General Fund's share of Resource Revenue is transferred from the Resource Revenue Stabilization Fund.

SCHEDULE OF GENERAL FUND REVENUE BY SOURCE FOR THE FISCAL YEAR ENDED MARCH 31, 1985

Estimated	Source		Revenue	
$	**Taxation Revenue:**	$	$	$
2,148,000,000	Personal Income[1]		1,853,296,653	
383,000,000	Corporation Income[1]		366,164,204	
1,371,000,000	Social Service		1,331,342,643	
391,000,000	Gasoline		411,932,509	
51,000,000	Motive Fuel Use		56,394,694	
156,000,000	Tobacco		159,315,452	
87,000,000	Corporation Capital		86,998,874	
41,000,000	Property (rural areas)		41,008,063	
23,000,000	Insurance Premium		22,039,794	
25,000,000	Hotel Room		25,099,624	
8,000,000	Horse Racing		6,801,580	
	Succession and Gift		159,231	
4,684,000,000	**Total Taxation Revenue**			4,360,553,321
	Natural Resource Revenue:			
207,600,000	General Fund's Share of Resource Revenue[2]			289,522,035
	Other Revenue:			
	Sales and Services:			
35,000,000	Land Registry Fees	27,318,053		
26,500,000	Real Estate Earnings of the Crown Land Account	21,062,600		
11,200,000	Medicare Services Recoveries	10,640,191		
8,340,000	Motor Vehicle Lien and Search Fees	6,245,954		
5,600,000	Ambulance Service	6,924,450		
4,700,000	Ferry Revenue	4,749,026		
2,300,000	Sheriffs' Fees	1,387,787		
2,100,000	Property Tax Collection Fees	2,278,161		
1,900,000	Vital Statistics Fees	2,115,405		
1,000,000	Hearing Aid Equipment	1,262,261		
600,000	Sales of Maps and Airphotos	414,478		
	University Endowment Lands Revenue	485,653		
4,300,000	Miscellaneous Sales and Services	5,920,312		
103,540,000			90,804,331	
	Licences and Permits:			
118,000,000	Motor Vehicle Licences and Permits	124,191,583		
16,000,000	Liquor Licensing Branch—Permits and Fees	15,484,118		
8,000,000	Companies Branch	7,850,586		
5,500,000	Safety Inspection Fees	5,053,872		
6,000,000	Filing Fees — Court Services	3,673,103		
3,300,000	Camp-site Permits and Park Use	3,623,201		
3,000,000	*Fire Services Act*—Fees, etc.	3,651,086		
3,000,000	Insurance, Brokers and Real Estate	2,109,084		
1,300,000	Agricultural Licences	1,396,338		
1,000,000	Trade and Dealer Licences	414,799		
900,000	Mobile Home Registry	633,971		
4,000,000	Miscellaneous Licences and Permits	2,579,383		
170,000,000			170,661,124	
63,078,000	Income from Investments		97,457,156	

SCHEDULE OF GENERAL FUND REVENUE BY SOURCE FOR THE FISCAL YEAR ENDED MARCH 31, 1985—Continued

Estimated	Source		Revenue	
$	**Other Revenue**—Continued	$	$	$
	Miscellaneous:			
19,000,000	Fines and Penalties	16,248,367		
11,000,000	Maintenance of Children	19,330,507		
4,500,000	Other Maintenance Receipts	1,903,227		
9,500,000	Insurance Claim Receipts	11,806,495		
22,500,000	Other Miscellaneous Revenue	24,295,292		
2,500,000	Municipal Share of Joint Service Program	3,250,180		
69,000,000			76,834,068	
	Non-recurring Recoveries:			
	British Columbia Buildings Corporation—Sale of Property	743,413		
	British Columbia Development Corporation—Net Revenue from L.I.L.A. Loans	1,019,309		
			1,762,722	
405,618,000	**Total Other Revenue**			437,519,401
	Contributions From Government Enterprises:			
370,000,000	Liquor Distribution Branch[3]		355,898,655	
	British Columbia Buildings Corporation		4,404,000	
370,000,000	**Total Contributions from Government Enterprises**			360,302,655
	Contributions From the Federal Government:			
871,000,000	Established Programs Financing	1,059,490,000		
501,000,000	Canada Assistance Plan	572,860,899		
	Fiscal Stabilization Program	35,000,000		
62,000,000	Adult Occupational Training	51,544,002		
8,000,000	Economic Development	8,521,851		
5,000,000	*Public Utilites Income Tax Transfer Act*	3,379,444		
14,000,000	Transportation and Highways	14,360,315		
2,500,000	Statutory Subsidies	2,515,831		
17,000,000	Reciprocal Taxation Agreement	19,318,000		
10,500,000	Other Payments	23,977,491		
1,491,000,000	**Total Contributions from the Federal Government**			1,790,967,833
7,158,218,000	**General Fund Revenue**			7,238,865,245

Certain revenues include interest and penalties assessed on overdue accounts.

Revenue by source is reported after the deduction of amounts considered uncollectible. These amounts totalled $18,491,619 in 1984/85 and were comprised of reductions of Taxation $9,051,807, Natural Resources $6,015,056, Contributions from Federal Government $26,635, Other $3,398,121.

[1] Personal and Corporation income tax revenues are recorded after reduction for tax credits of $3,427,042 and $11,525,736 respectively. Taxes are reduced for the payment of foreign tax, logging tax, political contributions, for recipients of Housing and Employment Development bond interest, low income, and royalty rebates.

[2] General Fund's share of Resource Revenue is transferred from the Resource Revenue Stabilization Fund.

[3] The British Columbia Liquor Distribution Branch revenue is the net income of the Branch after adjusting for the difference in the accounting policies of the Branch from those of the Government. Revenue of $355,898,655 is comprised of gross revenue of $940,038,807 less cost of merchandise sold and operating expenses of $586,359,963 and an accounting policy adjustment which adds back $2,219,811 for the decrease in value of fixed assets. (Refer to Section G of the Public Accounts for complete financial statements of the Branch.)

SCHEDULE OF GENERAL FUND EXPENDITURE BY MINISTRY SHOWING EXPENDITURE COMPARED WITH MAIN ESTIMATES AND OTHER AUTHORIZATIONS FOR THE FISCAL YEAR ENDED MARCH 31, 1985

Ministry	Total Appropriations			Actual Expenditures	Net Under Expenditures
	Estimated	Other Authorizations	Total		
	$	$	$	$	$
Legislation	7,616,302		7,616,302	7,609,049	7,253
Auditor General	3,488,068	32,000	3,520,068	3,480,631	39,437
Ombudsman	1,938,020	66,000	2,004,020	2,000,753	3,267
Premier's Office	697,886		697,886	695,659	2,227
Agriculture and Food	74,894,522	42,646	74,937,168	67,315,307	7,621,861
Attorney General	344,187,821	25,707,574	369,895,395	369,850,062	45,333
Consumer and Corporate Affairs	19,034,358	1,151,377	20,185,735	19,610,305	575,430
Education	1,355,884,889	41,860,318	1,397,745,207	1,397,571,216	173,991
Energy, Mines and Petroleum Resources	23,578,860	6,399,272	29,978,132	26,691,614	3,286,518
Environment	91,542,146	7,196,247	98,738,393	95,464,235	3,274,158
Finance	58,859,803	1,559,557	60,419,360	59,180,858	1,238,502
Forests	252,252,421	11,500,000	263,752,421	254,809,184	8,943,237
Health	2,539,083,796	23,506,517	2,562,590,313	2,557,586,038	5,004,275
Human Resources	1,281,424,058	154,100,000	1,435,524,058	1,417,039,847	18,484,211
Industry and Small Business Development	46,032,013	13,892,962	59,924,975	53,960,235	5,964,740
Intergovernmental Relations	2,435,407	4,579	2,439,986	2,237,899	202,087
International Trade and Investment		467,284	467,284	328,285	138,999
Labour	57,912,100	332,382	58,244,482	52,416,715	5,827,767
Lands, Parks and Housing	84,758,860	5,831,873	90,590,733	87,895,713	2,695,020
Municipal Affairs	185,050,783	5,000	185,055,783	184,446,661	609,122
Provincial Secretary and Government Services	84,390,210		84,390,210	80,619,237	3,770,973
Tourism	7,872,511	22,504	7,895,015	7,037,725	857,290
Transportation and Highways	569,033,423	227,278,000	796,311,423	776,366,381	19,945,042
Universities, Science and Communications	340,299,743		340,299,743	340,111,908	187,835
Other Appropriations:					
Student Employment Programs	10,000,000		10,000,000	8,875,844	1,124,156
Transit Services	75,500,000		75,500,000	68,156,726	7,343,274
Interest on Public Debt	237,600,000	36,536,079	274,136,079	274,136,079	
Contingencies	50,000,000		50,000,000	27,231,810	22,768,190
	7,805,368,000[1]	557,492,171	8,362,860,171	8,242,725,976	120,134,195

[1] Main Estimates Voted 7,776,000,000
Special Accounts Estimate 29,368,000
7,805,368,000

SCHEDULE OF GENERAL FUND EXPENDITURE BY APPROPRIATION
FOR THE FISCAL YEAR ENDED MARCH 31, 1985

Vote No.	Description	Total Appropriations — Estimated	Other Authorizations	Total	Actual Expenditure	Net Under Expenditure
		$	$	$	$	$
	Legislation					
1	Legislation	**7,616,302**		**7,616,302**	**7,609,049**	**7,253**
	Auditor General					
2	Auditor General	**3,488,068**				
	Supplement—Special Warrant No. 10		**32,000**	**3,520,068**	**3,480,631**	**39,437**
	Ombudsman					
3	Office of the Ombudsman	**1,938,020**				
	Supplement—Special Warrant No. 11		**66,000**	**2,004,020**	**2,000,753**	**3,267**
	Premier's Office					
4	Premier's Office	**697,886**		**697,886**	**695,659**	**2,227**
	Ministry of Agriculture and Food					
5	Minister's Office	190,978		190,978	172,391	18,587
6	Ministry Operations	73,117,362		73,117,362	65,846,792	7,270,570
7	Milk Board	246,719		246,719	246,699	20
8	Provincial Agricultural Land Commission	824,463		824,463	782,316	42,147
	Statutory—*Cattle Horn Act* (R.S.B.C. 1979, chap. 44, sec. 7)—Livestock improvement		42,646	42,646	42,646	
		74,379,522	42,646	74,422,168	67,090,844	7,331,324
	Special Accounts—					
	Livestock Protection Act (R.S.B.C. 1979, chap. 245, sec. 14)	15,000		15,000	9,401	5,599
	Farm Product Industry Act (R.S.B.C. 1979, chap. 124, sec. 16)	500,000		500,000	215,062	284,938
		74,894,522	**42,646**	**74,937,168**	**67,315,307**	**7,621,861**

SCHEDULE OF GENERAL FUND EXPENDITURE BY APPROPRIATION FOR THE FISCAL YEAR ENDED MARCH 31, 1985—Continued

Vote No.	Description	Total Appropriations — Estimated	Total Appropriations — Other Authorizations	Total Appropriations — Total	Actual Expenditure	Net Under Expenditure
		$	$	$	$	$
	Ministry of Attorney General					
9	Minister's Office	200,506		200,506	188,428	12,078
10	Ministry Operations	224,410,418				
	Supplement—Special Warrant No. 12		6,400,000			
	Statutory—					
	Crown Proceeding Act (R.S.B.C. 1979, chap. 86, sec. 13)		13,376,100			
	Financial Administration Act (S.B.C. 1981, chap. 15, sec. 23 (3))		(631,486)			
	Criminal Injury Compensation Act (R.S.B.C. 1979, chap. 83, sec. 2 (5))		2,655,824	246,210,856	246,210,856	
11	Judiciary	12,996,553		12,996,553	12,963,298	33,255
12	Corrections	106,580,344				
	Statutory—*Financial Administration Act* (S.B.C. 1981, chap. 15, sec. 23 (3))		89,509	106,669,853	106,669,853	
	Statutory—					
	Indian Cut-off Lands Disputes Act (S.B.C. 1982, chap. 50, sec. 5)—Chemainus and Beecher Bay		127,700	127,700	127,700	
	Young Offenders (British Columbia) Act (S.B.C. 1984, chap. 30, sec. 24)		3,669,000	3,669,000	3,669,000	
	Financial Administration Act (S.B.C. 1981, chap. 15, sec. 22 (1))—Net of recoveries (*see* B 59 for detail)					
		344,187,821	25,686,647	369,874,468	369,829,135	45,333
	Special Account—*Land Title Act* (R.S.B.C. 1979, chap. 219, sec. 274)		20,927	20,927	20,927	
		344,187,821	**25,707,574**	**369,895,395**	**369,850,062**	**45,333**
	Ministry of Consumer and Corporate Affairs					
13	Minister's Office	200,449				
	Supplement—Special Warrant No. 13		12,000	212,449	205,776	6,673
14	Ministry Operations	18,833,909				
	Statutory—*Residential Tenancy Act* (S.B.C. 1984, chap. 15, sec. 55)		1,139,377	19,973,286	19,404,529	568,757
		19,034,358	**1,151,377**	**20,185,735**	**19,610,305**	**575,430**

	Ministry of Education					
15	Minister's Office	186,000		186,000	173,068	12,932
16	Management Operations and Educational Finance	24,148,535				
	Statutory—*Financial Administration Act* (S.B.C. 1981, chap. 15, sec. 20 (3))		721,611	24,870,146	24,859,793	10,353
17	Public Schools Education	999,534,707				
	Supplement—Special Warrant No. 14		9,000,000			
	Statutory—*Financial Administration Act* (S.B.C. 1981, chap. 15, sec. 20 (3))		8,079,239			
	Statutory—*Financial Administration Act* (S.B.C. 1981, chap. 15, sec. 23 (3))		22,794,198	1,039,408,144	1,039,408,144	
18	Post-Secondary Colleges and Institutes	308,659,687		308,659,687	308,508,983	150,704
19	Independent Schools	23,355,960		23,355,960	23,355,958	2
	Statutory—					
	Education (Interim) Finance Act (S.B.C. 1982, chap. 2, sec. 20 (6))		1,261,230	1,261,230	1,261,230	
	Financial Administration Act (S.B.C. 1981, chap. 15, sec. 24 (1) (c))—Interest on property tax refunds		4,040	4,040	4,040	
	Financial Administration Act (S.B.C. 1981, chap. 15, sec. 22 (1))—Net of recoveries (*see* B 59 for detail)					
		1,355,884,889	**41,860,318**	**1,397,745,207**	**1,397,571,216**	**173,991**
	Ministry of Energy, Mines and Petroleum Resources					
20	Minister's Office	151,016		151,016	146,711	4,305
21	Resource Management Program	18,381,400				
	Supplement—Special Warrant No. 4		5,500,000	23,881,400	23,095,067	786,333
22	British Columbia Utilities Commission	1,546,444				
	Statutory—*Financial Administration Act* (S.B.C. 1981, chap. 15, sec. 20 (3))		230,862	1,777,306	1,777,306	
23	Fort Nelson Indian Band Mineral Revenue Sharing Agreement	3,500,000		3,500,000	1,439,120	2,060,880
	Statutory—					
	Financial Administration Act (S.B.C. 1981, chap. 15, sec. 21 (1))—Special Warrant No. 3—Loan to Scottie Gold Mines Ltd.		435,000	435,000		435,000
	Financial Administration Act (S.B.C. 1981, chap. 15, sec. 24 (1) (c))—Interest on revenue refunds		200,625	200,625	200,625	
	Mines Act (S.B.C. 1980, chap. 28, sec. 15 (2))—Mine improvement		32,785	32,785	32,785	
	Financial Administration Act (S.B.C. 1981, chap. 15, sec. 22 (1))—Net of recoveries (*see* B 59 for detail)					
		23,578,860	**6,399,272**	**29,978,132**	**26,691,614**	**3,286,518**

SCHEDULE OF GENERAL FUND EXPENDITURE BY APPROPRIATION FOR THE FISCAL YEAR ENDED MARCH 31, 1985—Continued

Vote No.	Description	Total Appropriations			Actual Expenditure	Net Under Expenditure
		Estimated	Other Authorizations	Total		
		$	$	$	$	$
	Ministry of Environment					
24	Minister's Office	145,194		145,194	119,312	25,882
25	Resource and Environmental Management	88,866,952		88,866,952	87,982,951	884,001
26	Emergency Assistance	2,530,000		2,530,000	165,725	2,364,275
	Statutory—					
	Flood Relief Act (R.S.B.C. 1979, chap. 138, sec. 2)—Flood costs		7,114,822	7,114,822	7,114,822	
	Emergency Program Act (R.S.B.C. 1979, chap. 106, sec. 16)—Purchase of property subject to hazard		73,300	73,300	73,300	
	Environment Management Act (S.B.C. 1981, chap. 14, sec. 6 (1))—Byrne Disaster		4,858	4,858	4,858	
	Financial Administration Act (S.B.C. 1981, chap. 15, sec. 15 (1))—Extinguishment of debt		3,267	3,267	3,267	
	Financial Administration Act (S.B.C. 1981, chap. 15, sec. 22 (1))—Net of recoveries (*see* B 59 for detail)					
		91,542,146	**7,196,247**	**98,738,393**	**95,464,235**	**3,274,158**
	Ministry of Finance					
27	Minister's Office	185,567		185,567	177,182	8,385
28	Government Financial Support	57,619,011		57,619,011	56,564,374	1,054,637
29	Provincial Capital Commission	256,500		256,500	256,500	
30	Compensation Stabilization Program	798,725		798,725	623,245	175,480
	Statutory—					
	Financial Administration Act (S.B.C. 1981, chap. 15, sec. 53 (f))—Issue costs		444,634	444,634	444,634	
	Unclaimed Money Act (R.S.B.C. 1979, chap. 418, sec. 4)—Payment of claims		3,834	3,834	3,834	
	Financial Administration Act (S.B.C. 1981, chap. 15, sec. 24 (1) (c))—Interest on revenue refunds		1,110,472	1,110,472	1,110,472	
	Resource Investment Corporation Act (R.S.B.C. 1979, chap. 366, part 5, sec. 17)—Donation of shares		617	617	617	
		58,859,803	**1,559,557**	**60,419,360**	**59,180,858**	**1,238,502**

	Ministry of Forests					
31	Minister's Office	155,718		155,718	155,142	576
32	Forest and Range Management	206,096,703				
	Supplement —					
	Special Warrant No. 6		6,500,000			
	Special Warrant No. 7		5,000,000	217,596,703	217,061,751	534,952
33	Fire Suppression Program	46,000,000		46,000,000	37,592,291	8,407,709
	Statutory—*Financial Administration Act* (S.B.C. 1981, chap. 15, sec. 22 (1))—Net of recoveries (*see* B 59 for detail)					
		252,252,421	**11,500,000**	**263,752,421**	**254,809,184**	**8,943,237**
	Ministry of Health					
34	Minister's Office	199,325		199,325	181,470	17,855
35	Management Operations	65,735,518		65,735,518	64,588,266	1,147,252
36	Medical Services Commission	539,126,634				
	Statutory—*Medical Services Act* (R.S.B.C. 1979, chap. 255, sec. 12)		23,427,555	562,554,189	562,554,189	
37	Preventive and Community Health Care Services	187,672,739		187,672,739	184,191,892	3,480,847
38	Institutional Services	1,746,349,580		1,746,349,580	1,745,991,259	358,321
	Statutory—					
	Financial Administration Act (S.B.C. 1981, chap. 15, sec. 22 (1))—Net of recoveries (*see* B 59 for detail)		78,962	78,962	78,962	
		2,539,083,796	**23,506,517**	**2,562,590,313**	**2,557,586,038**	**5,004,275**
	Ministry of Human Resources					
39	Minister's Office	208,514		208,514	195,139	13,375
40	Ministry Programs	1,281,215,544				
	Supplement—Special Warrant No. 8		154,100,000	1,435,315,544	1,416,844,708	18,470,836
		1,281,424,058	**154,100,000**	**1,435,524,058**	**1,417,039,847**	**18,484,211**
	Ministry of Industry and Small Business Development					
41	Minister's Office	150,674		150,674	143,494	7,180
42	Ministry Operations	43,881,339				
	Statutory—*Constitution Act* (R.S.B.C. 1979, chap. 62, secs. 13 and 14, O.I.C. 302/85)—Transfer to Ministry of International Trade and Investment		(467,217)			
	Supplement—Special Warrant No. 1		14,359,461	57,773,583	53,533,038	4,240,545
	Statutory—*Public Service Act* (R.S.B.C. 1979, chap. 343, sec. 78)—Medical expenses, London, England		718	718	718	
		44,032,013	13,892,962	57,924,975	53,677,250	4,247,725
	Special Account—North East Coal Development—*Special Appropriations Act* (S.B.C. 1982, chap. 40, sec. 6)	2,000,000		2,000,000	282,985	1,717,015
		46,032,013	**13,892,962**	**59,924,975**	**53,960,235**	**5,964,740**

SCHEDULE OF GENERAL FUND EXPENDITURE BY APPROPRIATION FOR THE FISCAL YEAR ENDED MARCH 31, 1985—Continued

Vote No.	Description	Total Appropriations			Actual Expenditure	Net Under Expenditure
		Estimated	Other Authorizations	Total		
		$	$	$	$	$
	Ministry of Intergovernmental Relations					
43	Minister's Office	125,531		125,531	124,776	755
44	Intergovernmental Relations	2,309,876		2,309,876	2,108,544	201,332
	Statutory—*Public Service Act* (R.S.B.C. 1979, chap. 343, sec. 78)—					
	Medical expenses, London, England		4,579	4,579	4,579	
		2,435,407	**4,579**	**2,439,986**	**2,237,899**	**202,087**
	Ministry of International Trade and Investment					
	Ministry Operations					
	Statutory—*Constitution Act* (R.S.B.C. 1979, chap. 62, secs. 13 and 14, O.I.C. 302/85) — Transfer from Ministry of Industry and Small Business Development		467,217	467,217	328,218	138,999
	Statutory—*Public Service Act* (R.S.B.C. 1979, chap. 343, sec. 78) —					
	Medical expenses, London, England		67	67	67	
			467,284	**467,284**	**328,285**	**138,999**
	Ministry of Labour					
45	Minister's Office	196,554		196,554	195,328	1,226
46	Ministry Operations	57,715,546				
	Statutory—*Financial Administration Act* (S.B.C. 1981, chap. 15, sec. 23 (3))		(18,936)	57,696,610	51,870,069	5,826,541
	Statutory—					
	Human Rights Act (S.B.C. 1984, chap. 22, sec. 25)		350,677	350,677	350,677	
	Pulp and Paper Collective Bargaining Assistance Act (S.B.C. 1984, chap. 10, sec. 12)		641	641	641	
		57,912,100	**332,382**	**58,244,482**	**52,416,715**	**5,827,767**

	Ministry of Lands, Parks and Housing					
47	Minister's Office	191,758		191,758	127,753	64,005
48	Ministry Operations	59,589,082		59,589,082	58,189,345	1,399,737
49	Ministry Enterprises	10		10		10
50	British Columbia Home Program	10		10		10
	Statutory—*Financial Administration Act* (S.B.C. 1981, chap. 15, sec. 22 (1))—Net of recoveries (*see* B 59 for detail)	59,780,860		59,780,860	58,317,098	1,463,762
	Special Accounts—					
	Crown Land—*Ministry of Lands, Parks and Housing Act* (R.S.B.C. 1979, chap. 277, sec. 7)	18,500,000	2,350,073	20,850,073	20,850,073	
	Provincial Home Acquisition—*Home Conversion and Leasehold Loan Act* (R.S.B.C. 1979, chap. 170, sec. 17) and *Home Purchase Assistance Act* (R.S.B.C. 1979, chap. 172, sec. 21)	4,000,000	3,481,800	7,481,800	7,481,800	
	University Endowment Land Act (R.S.B.C. 1979, chap. 420, sec. 3)	2,478,000		2,478,000	1,246,742	1,231,258
		84,758,860	**5,831,873**	**90,590,733**	**87,895,713**	**2,695,020**
	Ministry of Municipal Affairs					
51	Minister's Office	174,580		179,580	178,669	911
	Supplement — Special Warrant No. 15		5,000			
52	Operations and Administration	9,186,203		9,186,203	8,669,749	516,454
53	Municipal Revenue Sharing	174,590,000		174,590,000	174,590,000	
		183,950,783	5,000	183,955,783	183,438,418	517,365
	Special Account—Downtown Revitalization—*Special Appropriations Act* (S.B.C. 1982, chap. 40, sec. 2)	1,100,000		1,100,000	1,008,243	91,757
		185,050,783	**5,000**	**185,055,783**	**184,446,661**	**609,122**
	Ministry of Provincial Secretary and Government Services					
54	Minister's Office	190,839		190,839	175,763	15,076
55	Provincial Secretary and Government Services	33,373,140		33,373,140	31,476,003	1,897,137
56	Government Information Services	18,915,859		18,915,859	18,443,832	472,027
57	Culture, Heritage and Recreation	17,884,946		17,884,946	17,496,141	388,805
58	Government Personnel, Pensions and Employee Benefits Administration	13,250,416		13,250,416	12,389,061	861,355
59	Pensions and Employee Benefits Contributions	10		10		10
	Statutory—*Financial Administration Act* (S.B.C. 1981, chap. 15, sec. 22 (1))—Net of recoveries (*see* B 59 for detail)	83,615,210		83,615,210	79,980,800	3,634,410
	Special Account—Provincial Computerization of Libraries—*Special Appropriations Act* (S.B.C. 1982, chap. 40, sec. 7)	775,000		775,000	638,437	136,563
		84,390,210		**84,390,210**	**80,619,237**	**3,770,973**

SCHEDULE OF GENERAL FUND EXPENDITURE BY APPROPRIATION FOR THE FISCAL YEAR ENDED MARCH 31, 1985—Continued

Vote No.	Description	Total Appropriations			Actual Expenditure	Net Under Expenditure
		Estimated	Other Authorizations	Total		
		$	$	$	$	$
	Ministry of Tourism					
60	Minister's Office	141,801		141,801	139,700	2,101
61	Ministry Operations	7,730,710		7,730,710	6,875,521	855,189
	Statutory—*Public Service Act* (R.S.B.C. 1979, chap. 343, sec. 78)—Medical expenses, London, England and California, U.S.A.		22,504	22,504	22,504	
		7,872,511	**22,504**	**7,895,015**	**7,037,725**	**857,290**
	Ministry of Transportation and Highways					
62	Minister's Office	218,797		218,797	187,780	31,017
63	Administration and Services Department	10,213,139		10,213,139	10,046,932	166,207
64	Highway Operations Department	461,206,535				
	Supplement —					
	Special Warrant No. 2		100,000,000			
	Special Warrant No. 16		121,588,000	682,794,535	665,617,406	17,177,129
65	Hydro Development—Highway Construction	10		10		10
66	Motor Vehicle Department	28,035,515				
	Supplement — Special Warrant No. 5		4,820,000	32,855,515	31,989,706	865,809
67	Motor Carrier Commission and Branch	2,627,154		2,627,154	2,583,689	43,465
68	Transportation Policy Department	5,695,879		5,695,879	4,596,198	1,099,681
69	Air Services Branch	5,228,694		5,228,694	5,073,237	155,457
70	Crown Corporation Assistance	55,807,700		55,807,700	55,471,433	336,267
	Statutory — *Financial Administration Act* (S.B.C. 1981, chap. 15, sec. 21 (1)) — Special Warrant No. 17 — Grant *re* Newman Creek Railway Bridge		870,000	870,000	800,000	70,000
		569,033,423	**227,278,000**	**796,311,423**	**776,366,381**	**19,945,042**
	Ministry of Universities, Science and Communications					
71	Minister's Office	127,518		127,518	126,342	1,176
72	Ministry Operations	11,923,515		11,923,515	11,754,551	168,964
73	Government Telecommunications Services	10		10	10	
74	Universities	328,248,700		328,248,700	328,231,005	17,695
		340,299,743		**340,299,743**	**340,111,908**	**187,835**

	Other Voted Appropriations					
75	Student Employment Programs (Minister of Labour)	10,000,000		10,000,000	8,875,844	1,124,156
76	Transit Services (Minister of Human Resources)	75,500,000		75,500,000	68,156,726	7,343,274
77	Interest on the Public Debt (Minister of Finance)	237,600,000				
	Statutory — *Financial Administration Act* (S.B.C. 1981, chap. 15, sec. 53 (a))		36,536,079	274,136,079	274,136,079	
78	Contingencies (All Ministries — Minister of Finance)	50,000,000		50,000,000	27,231,810	22,768,190
		373,100,000	**36,536,079**	**409,636,079**	**378,400,459**	**31,235,620**
	Total, General Fund Expenditure	**7,805,368,000**	**557,492,171**	**8,362,860,171**	**8,242,725,976**	**120,134,195**

COMBINED FINANCIAL STATEMENTS
SCHEDULE OF GUARANTEED DEBT
AS AT MARCH 31, 1985

Debt of municipalities and other local governments, private enterprises and individuals, and debt and minority interests of Provincial Crown corporations which has been explicitly guaranteed or indemnified by the Province under the authority of a statute as to net principal and accrued interest outstanding.

	1985			1984
	Gross Outstanding[2]	Net Sinking Funds[2]	Net Outstanding	Net Outstanding
	$	$	$	$
Municipalities and other local governments—				
(1) Guarantees authorized pursuant to the *Municipalities Assistance Act*, sec. 3 (serials)	4,193,377		4,193,377	8,795,003
(2) Guarantees authorized pursuant to the *Municipal Act*, part 25, sec. 854, debentures (principally serials)	24,808,390	10,019,346	14,789,044	16,233,141
(3) Greater Vancouver Sewerage and Drainage District debentures (some serials)	10,149,355	10,149,355		
Subtotal, municipalities and other local governments	39,151,122	20,168,701	18,982,421	25,028,144
Government services—				
(4) Guarantees authorized pursuant to the *British Columbia Buildings Corporation Act*, sec. 13[1]—				
Debentures — funded	521,915,807	29,632,166	492,283,641	501,663,547
Notes — unfunded				60,052,027
(5) Guarantees authorized pursuant to the *System Act*, sec. 20[1]—				
Debentures — funded	54,051,356	2,034,017	52,017,339	51,636,948
Subtotal, Government services	575,967,163	31,666,183	544,300,980	613,352,522
Health and education —				
(6) Guarantees authorized pursuant to the *Educational Institution Capital Finance Act*, sec. 9 —				
Debentures — funded[1]	425,276,767	35,211,157	390,065,610	385,278,841
(7) Guarantees authorized pursant to the *Financial Administration Act*, sec. 56				
Student aid loans	9,955,185		9,955,185	
Riverview Hospital Volunteer Association	15,000		15,000	
(8) Guarantees authorized pursuant to the *Hospital District Finance Act*, sec. 9 —				
Debentures — funded[1]	992,604,096	244,113,475	748,490,621	741,792,821
(9) Guarantees authorized pursuant to the *School District Capital Finance Act*, sec. 9[1]—				
Debentures — funded	1,597,078,581	621,507,716	975,570,865	992,387,067
— unfunded	1,200,333		1,200,333	4,245,316
Subtotal, health and education	3,026,129,962	900,832,348	2,125,297,614	2,123,704,045
Economic development —				
(10) Guarantees authorized pursuant to the *Agricultural Credit Act*, sec. 3	2,956,801		2,956,801	3,494,510
(11) Guarantees authorized pursuant to the *British Columbia Cellulose Company Act*, sec. 8	4,847,911		4,847,911	9,053,926
(12) Guarantees authorized pursuant to the *British Columbia Place Act, 1980*, sec. 6[1]	31,516,233	687,357	30,828,876	31,516,233
(13) Guarantees authorized pursuant to the *British Columbia Railway Finance Act*, sec. 10[1]—				
Bonds and debentures—funded	767,564,796	767,564,796		619,442,096
Notes—unfunded				370,205,813
Capital leases	26,322,983		26,322,983	26,759,497
1st preferred shares — BC Rail Ltd.	200,000,000		200,000,000	

(14) Guarantees authorized pursuant to the *British Columbia Transit Act*, sec. 22[1]—	78,827,073	1,802,986	77,024,087	78,423,127
Bonds and debentures	100,702,055		100,702,055	101,228,767
Notes	94,368,552		94,368,552	60,533,101
Capital leases	263,463,385			
(15) Guarantees authorized pursuant to the *Development Corporation Act*, sec. 15[1], Bonds	(180,838,626)			
Less: held by the British Columbia Housing and Employment Development Financing Authority	82,624,759		82,624,759	81,439,781
	86,430,632		86,430,632	62,229,003
Notes	1,046,557		1,046,557	3,807,820
(16) Guarantees authorized pursuant to the *Farm Product Industry Act*, sec. 2				
(17) Guarantees authorized pursuant to the *Ferry Corporation Act*, sec. 18[1]—	28,688,685		28,688,685	28,688,685
Notes—unfunded series	14,870,340	344,900	14,525,440	14,870,340
Notes—funded				
(18) Indemnities authorized pursuant to the *Financial Administration Act*, sec. 56	15,741,561		15,741,561	9,225,872
W.L.C. Development Ltd.	8,000,000		8,000,000	
The Terry Fox Medical Research Foundation, *et al*				6,607,660
(19) Guarantees authorized pursuant to the *Harbour Board Act*, secs. 18 and 30.1[1]				
(20) Guarantees authorized pursuant to the *Housing and Employment Development Financing Act*, secs. 5 and 6[1]—	179,684,411		179,684,411	189,348,698
Bonds and debentures				
(21) Guarantees authorized pursuant to the *Ministry of Transportation and Highways Act*, sec. 66, *re:* British Columbia Steamship Company (1975) Ltd.[1]	4,937,621		4,937,621	4,782,119
(22) Guarantees authorized pursuant to the *Petroleum Corporation Act*, secs. 10 and 12[1]	30,009,349		30,009,349	30,009,349
Subtotal, economic development	1,759,140,319	770,400,039	988,740,280	1,731,666,397
Utilities —				
(23) Guarantees authorized pursuant to the *Hydro and Power Authority Act*, sec. 44[1]—	9,464,998,488	900,156,038	8,564,842,450	8,335,783,505
Bonds and debentures—funded	9,464,998,488	900,156,038	8,564,842,450	8,335,783,505
Subtotal, utilities	14,865,387,054	2,623,223,309	12,242,163,745	12,829,534,613
Grand total, all guaranteed debt	75,938,384	41,132,815	34,805,569	74,415,776
Less: Amounts included above held as investments by General and Special Funds	14,789,448,670	2,582,090,494	12,207,358,176	12,755,118,837
Net total, all guaranteed debt				

[1] See Section G of the Public Accounts for details of maturity dates, interest rates, and redemption features of the outstanding debt of these Crown agencies.

[2] Gross outstanding debt as at March 31, 1985 includes accrued interest of $489.4 million. Debt payable in United States currency is recorded in Canadian dollars at the rate of exchange prevailing at March 31, 1985.

Sinking funds consist of cash, investments and accrued interest. For the purposes of this schedule, investments are reported at amortized cost, with the following exceptions: For item (3), the actual sinking fund balance exceeds the gross outstanding debt and is therefore shown at an amount equal to the debt. Investments held by certified sinking funds included in items (8) and (9) are reported at par value, as are investments held by the British Columbia Railway Company sinking funds (item 13). Investments reported at par value in the schedule total $969 million (1984: $76.8 million). These investments have a par value, interest rate and maturity date identical to the debt they are funding, and so constitute a complete offset against the debt. By reporting these investments at par, the related net outstanding debt is reported at nil.

The market value of sinking fund investments at March 31, 1985 was $2.4 billion (1984: $1.5 billion), however, these are not considered to be temporary investments. These investments are generally held until maturity, at which time the par value is realized. Certified investments must be held in trust until maturity.

The Government is directly responsible for paying 58.1 to 100 per cent of debt service costs for health and education debt through various grant formulas. In 1984/85 these contributions totalled approximately $301 million or 80 per cent of the debt service costs. The Government also pays a portion of the debt service costs of some economic development enterprises. No such contribution is made for utilities.

As a result of Government financing policies $3.4 billion of the guaranteed debt is held in investment accounts included in these financial statements and in other Provincial public sector superannuation and pension funds. Canada Pension Plan funds made available to the Government ($4 billion) are redeemable by the Federal Minister of Finance, subject to the six months notice and certain other restrictions.

Between the year end and August 15, 1985 there have been redemptions net of additional debt issues guaranteed by the Province of $28 million (Canadian) and $108 million (U.S. Funds).

COMBINED FINANCIAL STATEMENTS
SCHEDULE OF PUBLIC DEBT

Pursuant to Section 54 (2) of the *FINANCIAL ADMINISTRATION ACT*, 1981
For the Fiscal Year Ended March 31, 1985

PUBLIC DEBT

Public debt represents direct debt obligations for the purpose of the Province of British Columbia and fiscal agency borrowings. Fiscal agency borrowings represent borrowings made by the Minister of Finance, in his capacity as fiscal agent, on behalf of government bodies in accordance with the *Financial Administration Act* (S.B.C. 1981, chapter 15).

I For the purpose of the Province of British Columbia

	April 1/84	Issues	Retirements	March 31/85	Net increase or (decrease) 1985	1984
	$	$	$	$	$	$
Short Term Promissory Notes	95,737,500	705,171,654	772,887,045	28,022,109	(67,715,391)	95,737,500
Treasury Bills	780,000,000	3,120,000,000	3,120,000,000	780,000,000		80,000,000
Province of British Columbia Notes and Bonds	732,047,790	1,178,137,892	31,100,000	1,879,085,682	1,147,037,892	548,900,000
Total	1,607,785,290	5,003,309,546	3,923,987,045	2,687,107,791	1,079,322,501	724,637,500

Short Term Promissory Notes

Short term promissory notes are short term financial obligations issued by the Province of British Columbia to pay a sum of money on a given date. Short term promissory notes are issued under the authority of the *Financial Administration Act* and an Order in Council of the Lieutenant Governor in Council.

Short term promissory notes (the "Notes") have the following characteristics:

- the principal amount of Notes outstanding at any time, for the purpose of the Province of British Columbia may not exceed $290,000,000 in Canadian funds,
- the Notes may be issued in bearer or registered form and may either be interest bearing with principal and interest payable at maturity, or be issued at a discount to mature at the principal amount,
- the Notes mature in 365 days or less.

As at March 31, 1985, $28,022,109 in Notes were outstanding. These Notes mature on April 1, 1985 at an annual average interest rate of 9.64%. During the year, $705,171,654 in Notes were issued at interest rates which varied between 9.375%–11.97%.

Included in the $28,022,109 Notes outstanding at March 31, 1985 was a $15,000,000 U.S. note hedged to mature in Canadian Funds at $20,551,050.

Treasury Bills

Treasury bills are short term financial obligations issued by the Province of British Columbia to pay a sum of money on a given date. Treasury bills do not pay interest but are sold at a discount and mature at par. The difference between issue price and par at maturity represents the lenders' income in lieu of interest.

Treasury bills have the following characteristics:

- issued at a discount in lieu of interest payments
- maturity: 91 days
- issued in Canadian currency
- transferrable
- bought and sold on the open market.

As at March 31, 1985, $780,000,000 in Treasury bills were outstanding. They mature at various dates to June 26, 1985, at an annual average interest rate of 10.32%. During the year, $3,120,000,000 in Treasury bills were issued at interest rates which varied between 9.42%–13.13%.

COMBINED FINANCIAL STATEMENTS
SCHEDULE OF PUBLIC DEBT

Pursuant to Section 54 (2) of the *FINANCIAL ADMINISTRATION ACT*, 1961
For the Fiscal Year Ended March 31, 1985—Continued

Province of British Columbia Notes and Bonds

Maturity	Issue Date	Coupon Rate	Nature	Series	Amount Outstanding Apr. 1/84	Issues[1]	Retirements	Amount Outstanding Mar. 31/85	Interest and Redemption Provisions
		%			$	$	$	$	
Dec. 16, 1985	Dec. 16, 1983	10.25	Notes	PRD	200,000,000			200,000,000	*Interest payable semi-annually, not redeemable prior to maturity.*
Dec. 1, 1986	June 15, 1984	16.875	Note	P-BCR-AR-U(C)1		9,842,400		9,842,400	*Interest payable semi-annually, not redeemable prior to maturity. U.S. par value $7,200,000.*
Mar. 1, 1988	June 15, 1984	4.875	Note	P-BCR-G(C)1		1,021,149		1,021,149	*Interest payable semi-annually, serial redemption annually to March 1, 1988. U.S. par value $747,000.*
Mar. 31, 1988	Mar. 31, 1983	11.375	Bonds	PRA	26,100,000			26,100,000	*Interest payable semi-annually, not redeemable prior to maturity.*
May 1, 1988	May 1, 1978	9.125	Bonds	BD	130,947,790		26,100,000	104,847,790	*Interest payable semi-annually, redeemable in whole or in part at any time.*
Aug. 23, 1988	Aug. 23, 1983	11.50	Notes	PRB	100,000,000			100,000,000	*Interest payable semi-annually, not redeemable prior to maturity.*
Apr. 26, 1989	Apr. 26, 1984	12.40	Notes	BCSF-1[2]		203,476,743		203,476,743	*Interest payable annually, redeemable in whole at the option of the Province if taxation laws requiring payments are imposed or levied.*
June 2, 1989	Mar. 29, 1985	7.26	Note	P-Y5		4,264,000		4,264,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*
June 2, 1989	Mar. 29, 1985	7.26	Note	P-H4		5,000,000		5,000,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*

COMBINED FINANCIAL STATEMENTS
SCHEDULE OF PUBLIC DEBT

Pursuant to Section 54 (2) of the *FINANCIAL ADMINISTRATION ACT*, 1981
For the Fiscal Year Ended March 31, 1985—Continued

Province of British Columbia Notes and Bonds—Continued

Maturity	Issue Date	Coupon Rate	Nature	Series	Amount Outstanding Apr. 1/84	Issues[1]	Retirements	Amount Outstanding Mar. 31/85	Interest and Redemption Provisions
		%			$	$	$	$	
Oct. 1, 1989	Mar. 29, 1985	7.60	Note	P-Y6		4,916,000		4,916,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*
Oct. 1, 1989	Mar. 29, 1985	7.60	Note	P-H6		4,920,000		4,920,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*
Nov. 3, 1989	Mar. 29, 1985	7.94	Note	P-Y7		5,367,000		5,367,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*
Nov. 3, 1989	Mar. 29, 1985	7.94	Note	P-H6A		3,000,000		3,000,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*
Dec. 8, 1989	Mar. 29, 1985	7.83	Note	P-YA		6,468,000		6,468,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*
Jan. 5, 1990	Mar. 29, 1985	8.17	Note	P-YB		6,391,000		6,391,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*
Feb. 2, 1990	Mar. 29, 1985	8.33	Note	P-YC		3,094,000		3,094,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*
Mar. 3, 1990	Mar. 29, 1985	8.29	Note	P-YD		10,319,000		10,319,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*
Aug. 1, 1990	Mar. 29, 1985	8.08	Note	P-BB		6,000,000		6,000,000	*Interest payable semi-annually, not redeemable prior to maturity.*

Mar. 1, 1991	Mar. 29, 1985	6.79	Note	P-BE	3,000,000	3,000,000	*Interest payable semi-annually, not redeemable prior to maturity.*
June 1, 1991	June 15, 1984	5.75	Note	P-BCR J(C)-1	14,000,000	14,000,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*
June 15, 1991	Mar. 29, 1985	7.08	Note	P-BG	7,000,000	7,000,000	*Interest payable semi-annually, not redeemable prior to maturity.*
July 6, 1991	July 6, 1984	13.50	Notes	BCEC-2	68,000,000	68,000,000	*Interest payable annually, redeemable in whole at the option of the Province if taxation laws requiring additional payments are imposed or levied.*
Aug. 1, 1991	June 15, 1984	7.66	Note	P-BCR U(C)1	10,000,000	10,000,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*
Sept. 1, 1991	June 15, 1984	5.75	Note	P-BCR K(C)-1	7,500,000	7,500,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*
Sept. 15, 1991	Mar. 29, 1985	7.54	Note	P-BH	10,000,000	10,000,000	*Interest payable semi-annually, not redeemable prior to maturity.*
Nov. 1, 1991	Mar. 29, 1985	7.14	Note	P-BJ	899,000	899,000	*Interest payable semi-annually, not redeemable prior to maturity.*
Nov. 29, 1991	Nov. 29, 1984	12.25	Notes	BCEC-3	100,000,000	100,000,000	*Interest payable annually, redeemable in whole at the option of the Province if taxation laws requiring additional payments are imposed or levied.*
Apr. 15, 1992	June 15, 1984	6.00	Note	P-BCR M(C)-1	10,000,000	10,000,000	*Interest payable semi-annually, callable April 15, 1987, redeemable in whole or in part at the option of the lender.*
Feb. 9, 1993	June 15, 1984	7.25	Note	P-BCR R1(C)1	5,658,000	5,658,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*
June 7, 1993	June 15, 1984	7.48	Note	P-BCR RA1(C)1	4,000,000	4,000,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*

COMBINED FINANCIAL STATEMENTS
SCHEDULE OF PUBLIC DEBT

Pursuant to Section 54 (2) of the *FINANCIAL ADMINISTRATION ACT*, 1981
For the Fiscal Year Ended March 31, 1985—Continued

Province of British Columbia Notes and Bonds—Continued

Maturity	Issue Date	Coupon Rate	Nature	Series	Amount Outstanding Apr. 1/84	Issues[1]	Retirements	Amount Outstanding Mar. 31/85	Interest and Redemption Provisions
		%			$	$	$	$	
June 8, 1993	June 15, 1984	7.48	Note	P-BCR RA2(C)1		11,000,000		11,000,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*
Oct. 10, 1993	June 15, 1984	7.61	Note	P-BCR R3(C)1		8,189,000		8,189,000	*Interest payable semi-annually, not redeemable prior to maturity.*
Oct. 20, 1993	Oct. 20, 1983	12.00	Bonds	PRC	150,000,000			150,000,000	*Interest payable semi-annually, not redeemable prior to maturity.*
Dec. 9, 1993	Dec. 9, 1983	12.00	Bonds	BCEC-1	125,000,000			125,000,000	*Interest payable annually, redeemable in whole at the option of the Province if taxation laws requiring additional payments are imposed or levied.*
Apr. 1, 1994	June 15, 1984	4.50	Note	P-BCR H(C)1		13,670,000		13,670,000	*Interest payable semi-annually, not redeemable prior to maturity. U.S. par value $10,000,000.*
Sept. 9, 1994	June 15, 1984	8.92	Note	P-BCR R4(C)1		10,000,000		10,000,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*
Sept. 10, 1994	June 15, 1984	8.92	Note	P-BCR R5(C)1		2,681,000		2,681,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*
Aug. 7, 1995	June 15, 1984	8.93	Note	P-BCR R6(C)1		10,000,000		10,000,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*
Aug. 8, 1995	June 15, 1984	8.93	Note	P-BCR R7(C)1		7,264,000		7,264,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*

Sept. 9, 1995	June 15, 1984	9.16	Note	P-BCR R8(C)1	5,000,000	5,000,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*
Oct. 10, 1995	June 15, 1984	9.34	Note	P-BCR R9(C)1	13,197,000	13,197,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*
Dec. 30, 1995	June 15, 1984	7.54	Note	P-BCR P(C)1	15,000,000	15,000,000	*Interest payable semi-annually, callable December 30, 1988.*
July 2, 1996	June 15, 1984	7.26	Note	P-BCR T(C)-1	20,000,000	20,000,000	*Interest payable semi-annually, callable July 2, 1991.*
July 9, 1996	June 15, 1984	8.97	Note	P-BCR R10(C)1	5,000,000	5,000,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*
Aug. 10, 1996	June 15, 1984	8.98	Note	P-BCR R11(C)1	10,000,000	10,000,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*
Sept. 10, 1996	June 15, 1984	9.07	Note	P-BCR R12(C)1	19,962,000	19,962,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*
Dec. 1, 1996	June 15, 1984	16.875	Note	P-BCR AS-U(C)1	10,662,600	10,662,600	*Interest payable semi-annually, serial redemption December 1, 1986 to 1995. U.S. par value $7,800,000.*
Mar. 30, 1997	June 15, 1984	7.08	Note	P-BCR V(C)-1	24,000,000	24,000,000	*Interest payable semi-annually, callable March 30, 1990.*
May 4, 1997	June 15, 1984	9.22	Note	P-BCR R13(C)-1	17,000,000	17,000,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*
June 10, 1997	June 15, 1984	9.18	Note	P-BCR R14(C)1	15,000,000	15,000,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*
June 15, 1997	June 15, 1984	7.38	Note	P-BCR X(C)-1	10,000,000	10,000,000	*Interest payable semi-annually, callable June 15, 1990.*
July 15, 1997	June 15, 1984	7.45	Note	P-BCR Z(C)-1	15,000,000	15,000,000	*Interest payable semi-annually, callable July 15, 1990.*
June 1, 1998	June 15, 1984	7.98	Note	P-BCR AB(C)-1	7,000,000	7,000,000	*Interest payable semi-annually, callable June 1, 1990.*

COMBINED FINANCIAL STATEMENTS
SCHEDULE OF PUBLIC DEBT

Pursuant to Section 54 (2) of the *FINANCIAL ADMINISTRATION ACT*, 1981
For the Fiscal Year Ended March 31, 1985—Continued

Province of British Columbia Notes and Bonds—Continued

Maturity	Issue Date	Coupon Rate	Nature	Series	Amount Outstanding Apr. 1/84	Issues[1]	Retirements	Amount Outstanding Mar. 31/85	Interest and Redemption Provisions
		%			$	$	$	$	
Sept. 1, 1998	June 15, 1984	8.00	Note	P-BCR AC(C)-1		10,000,000		10,000,000	*Interest payable semi-annually, callable September 1, 1991.*
Nov. 1, 1998	June 15, 1984	8.125	Note	P-BCR AD(C)-1		20,000,000		20,000,000	*Interest payable semi-annually, callable November 1, 1991.*
June 1, 1999	June 15, 1984	9.45	Note	P-BCR AE(C)-1		10,000,000		10,000,000	*Interest payable semi-annually, callable June 1, 1992.*
June 8, 1999	June 15, 1984	10.02	Note	P-BCR R15(C)-1		28,876,000		28,876,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*
Aug. 15, 1999	June 15, 1984	10.36	Note	P-BCR AF(C)-1		20,000,000		20,000,000	*Interest payable semi-annually, callable August 15, 1992.*
Aug. 15, 1999	June 15, 1984	10.36	Note	P-BCR AG(C)-1		5,000,000	5,000,000		*Retracted on August 15, 1984.*
Sept. 10, 1999	June 15, 1984	10.22	Note	P-BCR R16(C)-1		12,500,000		12,500,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*
Oct. 15, 1999	June 15, 1984	10.40	Note	P-BCR AH(C)-1		8,000,000		8,000,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*
June 19, 2000	June 15, 1984	9.75	Note	P-BCR AK(C)-1		50,000,000		50,000,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the lender.*
Nov. 3, 2000	June 15, 1984	10.50	Note	P-BCR AL(C)1		50,000,000		50,000,000	*Interest payable semi-annually, callable November 3, 1993.*
Jan. 15, 2001	June 15, 1984	10.40	Note	P-BCR AM(C)-1		50,000,000		50,000,000	*Interest payable semi-annually, callable January 15, 1994.*

Sept. 20, 2001	June 15, 1984	9.75	Note	P-BCR AN(C)-1		75,000,000	75,000,000	*Interest payable semi-annually, callable September 20, 1994.*
Jan. 15, 2002	June 15, 1984	9.05	Note	P-BCR AP(C)-1		30,000,000	30,000,000	*Interest payable semi-annually, callable June 15, 1995.*
Feb. 28, 2005	June 15, 1984	12.75	Note	P-BCR AQ(C)-1		45,000,000	45,000,000	*Interest payable semi-annually, callable February 28, 1998 or any interest date thereafter.*
					732,047,790	1,178,137,892 31,100,000	1,879,085,682	
Less: Sinking fund balances							8,598,218	
							1,870,487,464	
Less: Unamortized discount							192,783,024	
TOTAL							1,677,704,440	

[1] Issued under and pursuant to the *Financial Administration Act*, chapter 15, Statutes of British Columbia, 1981, as amended and an Order of the Lieutenant Governor in Council of the Province of British Columbia.

[2] BCSF-1 notes bear annual interest at 5% on a principal amount of 325 million Swiss Francs. The Province has hedged principal and interest payments on these notes through a currency exchange agreement pursuant to which the Province has agreed to exchange U.S. dollars for Swiss Francs. The U.S. maturity value of this issue is $148,849,117.

The aggregate amounts of payments estimated to be required in each of the next five fiscal years to meet sinking fund and retirement provisions are: (a) in Canadian funds, 1986—$252,952,328; 1987—$53,540,125; 1988—$79,640,125; 1989—$153,987,915; 1990—$282,470,668. (b) in U.S. funds, 1986—$654,716; 1987—$8,157,716; 1988—$966,716; 1989—$766,716; 1990—$766,716.

COMBINED FINANCIAL STATEMENTS
SCHEDULE OF PUBLIC DEBT

Pursuant to Section 54 (2) of the *FINANCIAL ADMINISTRATION ACT*, 1981
For the Fiscal Year Ended March 31, 1985—Continued

II For the purpose of the Fiscal Agency Loans

	April 1/84	Issues	Retirements	March 31/85	Net increase or (decrease) 1985	1984
	$	$	$	$	$	$
Short Term Promissory Notes	141,900,201	2,460,751,914	2,009,556,787	593,095,328	451,195,127	141,900,201
Province of British Columbia Notes, Bonds and Debentures	109,000,000	639,037,520		748,037,520	639,037,520	109,000,000
Total	250,900,201	3,099,789,434	2,009,556,787	1,341,132,848	1,090,232,647	250,900,201

Short Term Promissory Notes

Short term promissory notes are short term financial obligations issued by the Province of British Columbia to pay a sum of money on a given date. Short term promissory notes are issued under the authority of the *Financial Administration Act* and an Order in Council of the Lieutenant Governor in Council.

Short term promissory notes (the "Notes") have the following characteristics:

— the principal amount of Notes outstanding at any time, for the purpose of fiscal agency arrangements may not exceed $1,287,500,000 in Canadian funds,

— the Notes may be issued in bearer or registered form and may either be interest bearing with principal and interest payable at maturity, or be issued at a discount to mature at the principal amount,

— the Notes mature in 365 days or less.

As at March 31, 1985, $593,095,328 in Notes were outstanding. These Notes mature at various dates to March 24, 1986 at an annual average interest rate of 10.79% for an average term of 66 days. During the year, $2,460,751,914 in Notes were issued at interest rates which varied between 9.45%–12.53%.

COMBINED FINANCIAL STATEMENTS
SCHEDULE OF PUBLIC DEBT

Pursuant to Section 54 (2) of the *FINANCIAL ADMINISTRATION ACT*, 1981
For the Fiscal Year Ended March 31, 1985—Continued

Province of British Columbia Notes, Bonds and Debentures

Maturity	Issue Date	Coupon Rate	Nature	Series	Amount Outstanding Apr. 1/84	Issues[1]	Retirements	Amount Outstanding Mar. 31/85	Interest and Redemption Provisions
		%			$	$	$	$	
June 20, 1989	June 20, 1984	11.12[2]	Notes	FRN-1		20,000,000		20,000,000	*Interest payable quarterly, not redeemable prior to maturity.*
Oct. 1, 1989	Oct. 1, 1984	12.75	Notes	PRE		100,000,000		100,000,000	*Interest payable semi-annually, not redeemable prior to maturity.*
Feb. 6, 1990	Feb. 6, 1985	10.75	Notes	PRF		200,000,000		200,000,000	*Interest payable semi-annually, not redeemable prior to maturity.*
July 6, 1991	July 6, 1984	13.50	Notes	BCEC-2		32,000,000		32,000,000	*Interest payable annually, redeemable at the option of the Province if taxation laws requiring additional payments are imposed or levied.*
Jan. 31, 1996	Jan. 31, 1984	12.25	Note	BCJC-3	24,000,000			24,000,000	*Interest payable annually, annual instalments of $2,400,000 payable January 31, 1991–1995, balance due January 31, 1996.*
Dec. 1, 1998	Dec. 1, 1983	11.125	Bonds	BCJC-1	50,000,000			50,000,000	*Interest payable annually, redeemable at the option of the Province if taxation laws requiring additional payments are imposed or levied.*
Nov. 10, 2003	Nov. 10, 1983	11.65	Debenture	BCCP-1	10,000,000			10,000,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the Minister of Finance of Canada subject to certain restrictions.*

COMBINED FINANCIAL STATEMENTS
SCHEDULE OF PUBLIC DEBT

Pursuant to Section 54 (2) of the *FINANCIAL ADMINISTRATION ACT*, 1981
For the Fiscal Year Ended March 31, 1985—Continued

Province of British Columbia Notes, Bonds and Debentures—Continued

Maturity	Issue Date	Coupon Rate	Nature	Series	Amount Outstanding Apr. 1/84	Issues[1]	Retirements	Amount Outstanding Mar. 31/85	Interest and Redemption Provisions
		%			$	$	$	$	
Apr. 2, 2004	Apr. 2, 1984	12.60	Debenture	BCCP-2		32,073,000		32,073,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the Minister of Finance of Canada subject to certain restrictions.*
May 10, 2004	May 10, 1984	13.48	Debenture	BCCP-3		59,292,000		59,292,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the Minister of Finance of Canada subject to certain restrictions.*
June 8, 2004	June 8, 1984	13.70	Debenture	BCCP-4		52,871,000		52,871,000	*Interest payable semi-annually, redeemable in whole or in part at the option of Minister of Finance of Canada subject to certain restrictions.*
July 10, 2004	July 10, 1984	13.80	Debenture	BCCP-5		29,402,000		29,402,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the Minister of Finance of Canada subject to certain restrictions.*
July 30, 1994	July 30, 1984	13.65	Note	BCJY-1[3]		54,794,520		54,794,520	*Interest payable semi-annually, semi-annual principal repayments equal to 9% of the aggregate principal amount of the loan outstanding commencing July 31, 1989, balance due July 30, 1994, redeemable in whole or in part at the option of the Province subject to certain restrictions.*

Aug. 7, 2004	Aug. 7, 1984	14.06	Debenture	BCCP-6		24,732,000	24,732,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the Minister of Finance of Canada subject to certain restrictions.*
Sept. 10, 2004	Sept. 10, 1984	13.20	Debenture	BCCP-7		16,950,000	16,950,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the Minister of Finance of Canada subject to certain restrictions.*
Nov. 7, 2004	Nov. 7, 1984	12.96	Debenture	BCCP-8		16,923,000	16,923,000	*Interest payable semi-annually, redeemable in whole or in part at the option of the Minister of Finance of Canada subject to certain restrictions.*
Jan. 15, 2009	Jan. 15, 1984	8.75	Bonds	BCJC-2	25,000,000		25,000,000	*Interest payable annually, redeemable at the option of the Province if taxation laws requiring additional payments are imposed or levied.*
					109,000,000	639,037,520	748,037,520	
Less: Sinking fund balances							2,481,969	
							745,555,551	
Less: Unamortized discount							13,419,832	
TOTAL							732,135,719	

[1] Issued under and pursuant to the *Financial Administration Act*, chapter 15, Statutes of British Columbia, 1981, as amended and an Order of the Lieutenant Governor in Council of the Province of British Columbia.

[2] Subject to rate adjustment every 91 days.

[3] BCJY-1 note bears annual interest at 8.1% on a principal amount of 10 billion Japanese yen. The Province has hedged principal and interest payments on these notes through a currency exchange agreement pursuant to which the Province has agreed to exchange Canadian dollars for Japanese yen.

The aggregate amounts of payments estimated to be required in each of the next five years to meet sinking fund and retirement provisions are: 1986—$8,100,000; 1987—$8,100,000; 1988—$8,100,000; 1989—$8,100,000; and 1990—$332,031,505. These amounts will be funded in full by the government bodies on whose behalf the borrowings were made.

COMBINED FINANCIAL STATEMENTS
SCHEDULE OF MONEY REFUNDED UNDER PROVISIONS OF SECTION 13 OF THE *FINANCIAL ADMINISTRATION ACT*, 1981
FOR THE FISCAL YEAR ENDED MARCH 31, 1985

Description of Item	$
Attorney General:	
Land Title Registration Fees	175,260
Consumer and Corporate Affairs:	
Liquor Licensing Receipts	14,635
Travel Agents' Registrations	100
Real Estate Act	15,263
Insurance Act	11,640
Mortgage Brokers Act	1,160
Securities Act	11,157
Motor Dealer Act	22,290
Rentalsman Filing Fees	690
Credit and Debtor Assistance Fees	75
Miscellaneous Fees and Licences	358,625
	435,635
Education:	
Publication Services	2,661
Correspondence Education	23,119
	25,780
Environment:	
Map Sales	6,425
Water Rentals and Recording Fees	15,117
Miscellaneous Fees and Licences	17,317
	38,859
Finance:	
Tobacco Tax	22,818
Real Property Tax	3,299,765
Fire Services	43,973
	3,366,556
Forests:	
Harvesting—Stumpage	19,406
Harvesting Rental and Fees	172
Overpayments	100,932
Miscellaneous Revenue	2,994
	123,504
Health:	
Emergency Health Services Commission Ambulance Fees	15,844
Speech and Hearing	15,408
Third Party Liability	176,604
Patients' Fees	692,156
Miscellaneous Revenue	210
	900,222
Transportation and Highways:	
Motor Vehicle Department	5,983,196
Miscellaneous	10,081
	5,993,277
Total: 1984/85	11,059,093
Total: 1983/84	5,582,883

Note: Section 13 of the *Financial Administration Act*, 1981 authorizes money to be refunded under the following conditions:

(a) "Money received by the government that is erroneously paid or collected, or
(b) for any purpose that is not fulfilled."

These payments are reflected in the main statements of the Province.

COMBINED FINANCIAL STATEMENTS
SCHEDULE OF ASSETS AND UNCOLLECTIBLE DEBTS WRITTEN OFF UNDER PROVISION OF SECTION 14 OF THE *FINANCIAL ADMINISTRATION ACT*, 1981 FOR THE FISCAL YEAR ENDED MARCH 31, 1985

Description of Item	$
Agriculture and Food:	
Partial Interest Reimbursement Program	4,045
Distress Area Assistance Program	4,057
Miscellaneous Service Fees	473
	8,575
Attorney General:	
Provincial Court Fines and Fees	489,585
Education:	
Student Aid Grants	283,443
Miscellaneous	927
	284,370
Energy, Mines and Petroleum Resources:	
Miscellaneous	2,083
Environment:	
Map Sales	86
Finance:	
Social Service Tax	6,121,995
Real Property Tax	80,532
Corporation Capital Tax	322,633
Hotel Room Tax	162,437
Logging Tax	48,744
Mining Tax	54,803
Miscellaneous	15,465
	6,806,609
Forests:	
Stumpage Revenue	794,791
Health:	
Emergency Health Services Commission Ambulance Fees	749,810
Patients' Fees	388,726
Dental Plan	22,742
Miscellaneous	7,952
	1,169,230
Human Resources:	
Miscellaneous	282,303
Provincial Secretary:	
Queen's Printer	276
Miscellaneous	1,163
	1,439
Tourism:	
Miscellaneous	540
Transportation and Highways:	
Permits—oversize carriers	11,181
Motor Vehicle Act	17,880
Miscellaneous	15,266
	44,327
Total: 1984/85	9,883,938
Total: 1983/84	8,202,295

Note: Section 14 of the *Financial Administration Act*, 1981 authorizes an asset, a debt or an obligation to be written off if it is unrealizable or uncollectible. These write-offs are reflected in the main statements of the Province.

COMBINED FINANCIAL STATEMENTS
SCHEDULE OF DEBTS EXTINGUISHED PURSUANT TO SECTION 15 OF THE *FINANCIAL ADMINISTRATION ACT*, 1981 FOR THE FISCAL YEAR ENDED MARCH 31, 1985

Description of Item	$
Environment:	
Conservation Fund Loan Principal—O.I.C. 1698/79	3,267
Total: 1984/85	3,267
Total: 1983/84	3,802

Note: Section 15 of the *Financial Administration Act*, 1981 authorizes the Lieutenant Governor in Council to forgive, in whole or in part, a debt or obligation that is due and owing to the Government. These extinguishments are reflected in the main statements of the Province.

SCHEDULE OF REMISSIONS UNDER PROVISIONS OF SECTION 16 (1) OF THE *FINANCIAL ADMINISTRATION ACT*, 1981 FOR THE FISCAL YEAR ENDED MARCH 31, 1985

Description of Item	$
Finance:	
Social Service Tax	19,126
Real Property Tax	27,552
Succession Duty	3,912
	50,590
Forests:	
Stumpage—Interest	9,076
Total: 1984/85	59,666
Total: 1983/84	287,969

Note: Section 16 (1) of the *Financial Administration Act*, 1981 authorizes the Lieutenant Governor in Council to remit:

(a) "any tax, royalty, fee or other sum that is paid or payable to the government and that is imposed or authorized to be imposed by an enactment, or

(b) any forfeiture, fine or pecuniary penalty imposed or authorized to be imposed by an enactment, notwithstanding that the whole or part of it is payable to another person"

where he "considers it in the public interest to do so . . . where great public inconvenience, great injustice or great hardship to a person has occurred or is likely to occur." These remissions are reflected in the main statements of the Province.

COMBINED FINANCIAL STATEMENTS
SCHEDULE OF PAYMENTS BASED ON CONTRIBUTIONS PURSUANT TO SECTION 22 (2) OF THE *FINANCIAL ADMINISTRATION ACT*, 1981 FOR THE FISCAL YEAR ENDED MARCH 31, 1985

Ministry / Agreement Description	$
Attorney General:	
Co-ordinated Law Enforcement Unit	57,118
Education:	
Canadian Official Languages Programs	13,453,668
Status Indian Children Education	30,944,466
Department of National Defence Children Education	3,048,238
	47,446,372
Energy, Mines and Petroleum Resources:	
British Columbia Utilities Commission	244,927
Environment:	
Joint Emergency Planning Project	66,102
Pesticide Control Program	21,008
Ambient Air Monitoring	78,363
Canadian Wildlife Federation Funding Project	3,000
Federal-Provincial Mapping Projects	67,315
Municipal Base Mapping	37,501
Environmental Lab—Analytical Tests	59,675
	332,964
Forests:	
British Columbia Railway—Tacheeda Lake	6,125
Lightning Locator System	756
Biomass Project	52,713
Yukon Territory Fire Suppression	436,244
Intensive Forest Management Subsidiary Agreement	5,500,000
Lorax School	17,500
	6,013,338
Health:	
Out-of-Province Hospital Insurance Reciprocal Agreements	12,570,446
Parasitology Consulting	1,497
Richmond Health Services	352,550
	12,924,493
Lands, Parks and Housing:	
Alexander Mackenzie Grease Trail	103,161
Provincial Secretary and Government Services:	
Historic Site Survey	44,498
Artifact Purchases	24,044
English as a Second Language — Westcoast Reader	62,750
Computer Exhibits and Training	152,957
British Columbia Heritage Trust Administration	17,250
Public Library Books—Field	266,714
National Associate Museums Program	10,150
	578,363
Total: 1984/85	67,700,736
Total: 1983/84	72,561,651

Note: Section 22 (1) of the *Financial Administration Act*, 1981 authorizes payments "where under an Act, agreement or undertaking:

(a) money is payable to the government, or

(b) money has been received by the government,

for the purpose of or as a contribution towards expenditures . . . received by the government."

Included in the amount reported as payments made by the Ministry of Education is $10,088,760 which relates to expenses properly attributable to the 1983/84 fiscal year.

These payments are reflected in the main statements of the Province.

COMBINED FINANCIAL STATEMENTS
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES PURSUANT TO SECTION 54 (3) OF THE *FINANCIAL ADMINISTRATION ACT*, 1981 FOR THE FISCAL YEAR ENDED MARCH 31, 1985

Description of Item	Total Lease Payments
	$
Lease of 70-automobile ferry, *M.V. Quinsam* at $81,130 per month	
First option—April 1, 1985 to September 30, 1987	2,433,900
Second option—October 1, 1987 to March 26, 1997	9,248,820
Purchase option—March 26, 1997	310,000
	11,992,720
Lease of Multi-Plan telephone equipment	
Various leases to January, 1990	3,568,076
Total: 1984/85	15,560,796
Total: 1983/84	14,446,779

Note: Section 54 (3) of the *Financial Administration Act*, 1981 requires disclosure of the financial obligations of the Government under a lease where substantially all of the risks and benefits of ownership of the property have been transferred to the Government. These contracts are reflected in the Public Accounts in accordance with the Province's accounting policies.

SCHEDULE OF PAYMENTS MADE TO HONOUR GUARANTEES PURSUANT TO SECTION 58 (3) OF THE *FINANCIAL ADMINISTRATION ACT*, 1981 FOR THE FISCAL YEAR ENDED MARCH 31, 1985

Description of Item	$
Agricultural Credit Act:	
Ledbury & Belsham	170,898
Duncalfe Farms Ltd.	110,408
Newdan Hog Farms Ltd.	107,127
Swan Lake Farms Ltd.	92,910
Buskey, L & E	79,447
Schutte, G & J	67,589
Dorosz, B & R	37,106
French, Brian	27,500
Becher, R & Hooge, B.	22,753
	715,738
Student Venture Capital Program:	
Various students	312,710
Total: 1984/85	1,028,448
Total: 1983/84	2,516,302

Note: Section 58 (3) of the *Financial Administration Act*, 1981 authorizes payments to honour guarantees and indemnities where the Government has entered into an agreement to give a guarantee in connection with the issue and sale of securities. These payments are reflected in the main statements of the Province.

COMBINED FINANCIAL STATEMENTS
SCHEDULE OF INVESTMENT PORTFOLIO
PURSUANT TO SECTION 36 (8) OF THE *FINANCIAL ADMINISTRATION ACT*, 1981
AS AT MARCH 31, 1985

	1985			1984
	Temporary Investments	Long-Term Investments	Total	Total
	$	$	$	$
Obligations of or guaranteed by Canada	20,637,414		20,637,414	67,925,493
Obligations of or guaranteed by a Province	10,247,293	74,392,145	84,639,438	116,787,467
Obligations of or guaranteed by a savings institution	338,605,310		338,605,310	313,138,805
Commercial paper issued by a corporation incorporated under the laws of Canada or of a Province	4,946,740		4,946,740	
Total	374,436,757	74,392,145	448,828,902	497,851,765
Held as follows:				
Temporary investments (Note 3)	374,436,757		374,436,757	423,467,384
Investments in and advances to Crown corporations (Note 9)				
British Columbia Hydro and Power Authority		8,077,086	8,077,086	8,073,595
British Columbia Railway Company		10,235,000	10,235,000	10,235,000
Other assets (Note 12)				
British Columbia Regional Hospital Districts Financing Authority bonds		12,000,000	12,000,000	12,000,000
British Columbia School Districts Capital Financing Authority bonds		44,080,059	44,080,059	44,075,786
Total	374,436,757	74,392,145	448,828,902	497,851,765

SECTION C

CONSOLIDATED FINANCIAL STATEMENTS OF THE PROVINCE

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CONSOLIDATED FINANCIAL STATEMENTS OF THE PROVINCE FOR THE FISCAL YEAR ENDED MARCH 31, 1985

PREAMBLE

Consolidated Financial Statements aggregate the Combined Financial Statements (Consolidated Revenue Fund), and certain Crown corporations: namely, those Crown corporations which exist to service the Government ("service" corporations) and those Crown corporations which conduct Government activities and complement Government programs ("provincial" corporations). These corporations are more fully described in Note 1 to these Consolidated Financial Statements. The financial statements of those Crown corporations which have been consolidated have been adjusted to the Government's accounting policies upon consolidation to provide consistent reporting.

Crown corporations which are similar to commercial enterprises and run on commercial lines (termed "transportation" companies and "commercial" enterprises) have not been consolidated; the Government's investment in those enterprises has simply been adjusted to reflect the underlying equity in them without adjusting the financial statements of such enterprises to conform with the Government's accounting policies.

These Consolidated Financial Statements are presented to disclose the economic impact of the Government and the state of its finances in a manner that will assist in the assessment of these matters.

Province of
British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
British Columbia
V8V 1X4

AUDITOR GENERAL'S REPORT

To the Legislative Assembly
of the Province of British Columbia
Parliament Buildings
Victoria, British Columbia

I have examined the consolidated balance sheet of the Government of the Province of British Columbia as at 31 March 1985, and the consolidated statements of taxpayers' equity, operating results and changes in cash and temporary investments for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances. I have received all the information and explanations I have required.

I report in accordance with section 7 of the *Auditor General Act*. In my opinion, these consolidated financial statements present fairly the financial position of the Government of the Province of British Columbia as at 31 March 1985 and the results of its operations and the changes in its financial position for the year then ended on a consolidated basis in accordance with the stated accounting policies as set out in Note 1 to these financial statements applied, after giving retroactive effect to the change in the method of recognizing employee leave entitlements and except for the consolidation of the Capital Financing Authorities as explained in Notes 2 (a) and (c) to these financial statements, on a basis consistent with that of the preceding year.

ERMA MORRISON, F.C.A.
Auditor General

Victoria, British Columbia
31 August 1985

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 1985

	1985	1984
	$	$
ASSETS		
Cash and temporary investments (note 3)	280,780,950	272,994,980
Accounts receivable (note 2 (c) and 4)	897,512,849	799,714,308
Due from Crown corporations and agencies (note 5)	1,502,000	1,502,000
Mortgages receivable (note 6)	277,107,937	273,055,381
Prepaid program costs (note 7)	191,730,304	180,416,477
Inventories (note 8)	48,201,447	42,772,910
Investments in Crown corporations—at equity (note 9)	1,192,848,675	794,990,087
Fiscal Agency loans (note 2 (c) and 10)	2,844,663,326	90,078,940
Property under development (note 11)	67,148,147	62,581,543
Fixed assets (note 12)	1	1
Other assets (note 13)	272,208,305	351,862,063
	6,073,703,941	**2,869,968,690**
LIABILITIES		
Accounts payable and accrued liabilities (note 2 (c) and 14)	1,178,437,030	976,266,857
Due to Crown corporations and agencies (note 15)	25,624,466	11,404,779
Deferred revenue (note 16)	258,181,242	248,704,075
Public debt (note 2 (c) and 17)	6,393,323,273	2,595,298,612
	7,855,566,011	**3,831,674,323**
TAXPAYERS' EQUITY		
Taxpayers' equity (deficiency)	**(1,781,862,070)**	**(961,705,633)**
	6,073,703,941	**2,869,968,690**
CONTINGENCIES AND COMMITMENTS (note 18)		
Guaranteed Debt	**9,438,853,583**	**12,075,777,790**
TRUST FUNDS (section D)	**11,603,492,198**	**9,760,933,014**

The accompanying notes and supplementary schedules are an integral part of these financial statements.

Approved on behalf of the Ministry of Finance.

D. L. EMERSON
Deputy Minister of Finance and Secretary of Treasury Board

D. B. MARSON
Comptroller General

CONSOLIDATED STATEMENT OF TAXPAYERS' EQUITY FOR THE FISCAL YEAR ENDED MARCH 31, 1985

	1985			1984
	Government and Consolidated Enterprises	Transportation and Commercial Enterprises	Total	Total
	$	$	$	$
Taxpayers' equity (deficiency)—beginning of year	(1,466,001,815)	612,176,395	(853,825,420)	116,611,197
Prior period adjustment relating to Consolidated Revenue Fund (note 2)	(107,880,213)		(107,880,213)	(115,378,316)
As restated	(1,573,882,028)	612,176,395	(961,705,633)	1,232,881
Prior period adjustments relating to consolidated entities	2,197,597		2,197,597	
Consolidated operating results for the year				
Net expenditure for the year	(1,206,996,799)		(1,206,996,799)	(1,037,625,553)
Increase in unremitted equity of transportation companies and commercial enterprises		384,642,765	384,642,765	74,687,039
Taxpayers' equity (deficiency)—end of year	(2,778,681,230)	996,819,160	(1,781,862,070)	(961,705,633)

The accompanying notes and supplementary schedules are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF OPERATING RESULTS
FOR THE FISCAL YEAR ENDED MARCH 31, 1985

	1985				1984
	Consolidated Revenue Fund (B 8)	Consolidated Crown Corporations (C 26)	Transfers Between Consolidated Revenue Fund and Crown Corporations	Total	Total
	$	$	$	$	$
Revenue					
Taxation	4,360,553,321			4,360,553,321	4,063,450,775
Natural resources	720,913,516	543,651,962	(140,013,142)	1,124,552,336	1,080,635,360
Other	557,204,414	783,802,256	(257,142,242)	1,083,864,428	865,411,539
Contributions from Government enterprises	360,302,655	909,082,935	(904,697,718)	364,687,872	332,134,319
Contributions from Federal Government	1,790,967,833	75,000		1,791,042,833	1,772,760,663
Total revenue	7,789,941,739	2,236,612,153	(1,301,853,102)	8,724,700,790	8,114,392,656[1]
Expenditure					
General government	169,716,478	221,103,802	(30,495,850)	360,324,430	392,335,597
Protection of persons and property	411,259,234	16,564,420	(85,015,245)	342,808,409	347,170,750
Transportation and communications	765,837,762		(35,788,699)	730,049,063	866,133,950
Health and social services	3,991,213,568	880,298,411	(714,037,316)	4,157,474,663	4,063,763,875
Recreation and cultural services	58,872,963	7,605,894	(4,556,193)	61,922,664	64,765,065
Education	1,728,662,286	4,936,484	(186,204,941)	1,547,393,829	1,752,088,937
Natural resources and primary industries	476,157,854	406,923,348	(41,183,015)	841,898,187	832,976,216
Trade and industrial development	52,351,550	254,919,746	(6,879,102)	300,392,194	113,956,280
Housing	55,196,473	20,774,897	(15,148,079)	60,823,291	86,548,009
Aid to local government	286,584,018	1,390,207	(601,931)	287,372,294	310,188,943
Interest on public debt	274,580,712	411,417,509	(2,500,000)	683,498,221	214,704,367
Other	513,381,829	223,801,246	(179,442,731)	557,740,344[2]	107,386,220
Total expenditure	8,783,814,727	2,449,735,964	(1,301,853,102)	9,931,697,589	9,152,018,209[1]
Net Expenditure For The Year	(993,872,988)	(213,123,811)		(1,206,996,799)	(1,037,625,553)
Increase in Unremitted Equity of Transportation Companies and Commercial Enterprises (C 28)				384,642,765[2]	74,687,039
Consolidated Net Expenditure for the Year				(822,354,034)	(962,938,514)

The accompanying notes and supplementary schedules are an integral part of these financial statements.

[1] All 1984 operating expenditure, except for Interest on Public Debt, has been restated to reflect the inclusion of employee benefits, telecommunications and certain other expenses in the program costs. This change was implemented at the start of the 1984/85 fiscal year. British Columbia Buildings Corporation, British Columbia Petroleum Corporation, and British Columbia Systems Corporation have been fully integrated on a line-by-line basis in both revenue and expenditure for 1984.

[2] These amounts reflect the payment by the Province to the British Columbia Railway Company of $407,642,191 (Canadian) and $17,177,060 (U.S.) ($22,326,743 (Canadian)) as described in note 9 (c).

CONSOLIDATED STATEMENT OF CHANGES IN CASH AND TEMPORARY INVESTMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1985

	1985		1984	
	$		$	
Balance—Beginning of Year		272,994,980		314,370,450
Operating Transactions				
Revenue	8,724,700,790		8,114,392,656	
Expenditure	9,931,697,589		9,152,018,209	
Net expenditure	(1,206,996,799)		(1,037,625,553)	
Increase (decrease) in unremitted equity of transportation companies and commercial enterprises	384,642,765		74,687,039	
Consolidated Net Revenue (Expenditure)	(822,354,034)		(962,938,514)	
Add (deduct):				
Non-cash items included in net revenue[1]	(259,304,473)		(41,491,250)	
Cash items applicable to future operations				
—Change in prepaid program costs	(11,313,827)		(22,939,570)	
—Change in deferred charges	(2,926,427)		49,316,810	
—Change in deferred revenue	9,477,167		108,855,862	
	(4,763,087)		135,233,102	
Used for operations		(1,086,421,594)		(869,196,662)
Financing Transactions				
Receipts:				
Mortgage principal repayments	35,834,790		42,662,273	
Repayment of investments in Crown corporations—at equity			849,652	
Fiscal Agency loans	183,727,607			
Property sales	9,429,605		34,259,828	
Repayments of other assets	150,475,746		194,981,006	
Debt issues of consolidated entities	7,973,998,278		4,203,053,602	
	8,353,466,026		4,475,806,361	
Disbursements:				
Mortgages issued	39,887,346		57,349,596	
Investments in Crown corporations—at equity	13,215,823		22,292,151	
Fiscal Agency loans	983,001,140		90,078,940	
Investments in other assets	123,975,620		207,122,167	
Property purchases	13,996,209		32,339,147	
Debt retirement	6,085,182,324		3,238,803,168	
	7,259,258,462		3,647,985,169	
Derived from financing transactions		1,094,207,564		827,821,192
Increase (decrease) in Cash and Temporary Investments		7,785,970		(41,375,470)
Balance—End of Year		280,780,950		272,994,980
[1] Non-Cash Items Included in Consolidated Net Revenue (Expenditure)				
Change in accounts receivable	(97,798,541)		(152,057,164)	
Change in inventories	(5,428,537)		2,602,821	
Change in accounts payable and due to Crown corporations	216,389,860		206,885,517	
Change in prior period equity	2,197,597			
Changes in Public Debt	13,091,338			
Changes in Fiscal Agency loans	(3,113,425)			
Change in investments in Crown corporations—at equity:				
—Shares			(24,235,385)	
—Unremitted equity	(384,642,765)		(74,687,039)	
	(259,304,473)		(41,491,250)	

The accompanying notes and supplementary schedules are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1985

1. Significant Accounting Policies

(a) Reporting Entity

These financial statements include the accounts of the following entities which have been consolidated for reporting purposes:

(i) the General Fund, which includes all transactions of the Province not otherwise earmarked by legislative action, including the accounts of the British Columbia Liquor Distribution Branch, the Queen's Printer and the Purchasing Commission;

(ii) the Special Funds, which comprise all amounts set aside from the General Fund by special disposition of the Legislature for specific purposes;

(iii) Crown Service corporations, which are considered to be extensions of existing Government programs; and

(iv) certain Provincial corporations and agencies which are considered to support existing Government programs.

Certain Crown corporations which have been identified as transportation and commercial enterprises, and which are intended to be run on commercial lines, are recorded in these financial statements on an equity basis. A schedule of entities recorded on a consolidated or equity basis may be found on page C 25.

The British Columbia Housing and Employment Development Financing Authority is not recorded in these financial statements because it is designed to finance housing and other capital projects managed by the private sector without any Provincial government funding. Also excluded are health and educational institutions which are legally distinct from Government and whose boards are required to report separately on their stewardship.

The Workers' Compensation Board of British Columbia has neither been consolidated nor recorded on an equity basis because it carries on a quasi-insurance activity funded by contributions from employers and it is not intended to be run on commercial lines. Similarly, the activities of the Insurance (Motor Vehicle) Act Fund have neither been consolidated nor recorded on an equity basis because it operates as a self-sustaining entity.

Since the purpose of the British Columbia Assessment Authority is to establish and maintain uniform provincial assessments, largely for municipalities, it has not been either consolidated or recorded on an equity basis in these financial statements.

Separate financial statements for all entities which have been either consolidated or recorded on an equity basis in these financial statements are included in Section G of the Public Accounts. Section G also includes financial statements for all major Provincial government entities, as well as those for all public bodies which are audited by the Auditor General.

In addition, the consolidated balance sheet discloses, on a memorandum basis, Trust Funds which include trust deposits, sinking funds, certain assurance funds and superannuation funds administered by the Government but over which it has no power of appropriation. Details of Trust Funds are contained in Section D of the Public Accounts.

(b) Principles of Consolidation

The accounts of the Crown Service and Provincial corporations are consolidated with the General Fund and Special Funds after adjusting them to conform with the accounting policies described below. Inter-company accounts and inter-fund revenue and expenditure transactions are eliminated upon consolidation.

The transportation and commercial enterprises, which maintain their accounts in accordance with accounting principles applicable to commercial entities, are included on an equity basis without adjusting them to conform with the accounting policies described below. Inter-company accounts and transactions are not eliminated. However, profit elements included in such transactions, including certain increases in contributed surplus, are eliminated. Also eliminated is a gain on the defeasance of British Columbia Railway Company's historic debt.

No adjustments are made on consolidation to those consolidated entities whose fiscal year-ends are not the same as that of the Government, where the effect of adjustment would not be significant to the consolidated operating results.

(c) Basis of Accounting

The accrual basis of accounting is used which, for these consolidated financial statements, is specifically expressed as follows:

Revenue

All revenues are recorded on an accrual basis except where the accruals cannot be determined with a reasonable degree of certainty or where their estimation is impracticable. The exceptions, which normally relate to certain payments to the Province under the *Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act, 1977*, are recorded on a cash basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1985—Continued

1. Significant Accounting Policies—Continued

Expenditure

All expenditures, including the cost of fixed assets, are recorded for goods received and services rendered during the year.

Grants are recorded as expenditures. Conditional or fee for service types of grants are expensed when the goods or services have been received or when conditions of a contract have been fulfilled. Unconditional grants, which do not require fulfillment of any terms of a contract before payment, are expensed at the time the funds are disbursed.

Recoveries of expenditures may be permitted as a credit to the appropriate expenditure account when:

(i) they can be specifically identified with the expenditure transactions and payment has actually been made from an appropriation;
(ii) provision for them has been approved through the *Estimates* or by Treasury Board; and
(iii) the expenditure to which they relate was incurred in the same fiscal year.

Assets

All assets are recorded to the extent that they represent claims upon outside parties or items held for resale to outside parties as a result of events and transactions prior to the year-end. Rental payments for leases which transfer the benefits and risks incident to the ownership of certain assets are reported as expenditures at the dates of inception of the leases.

Liabilities

All liabilities are recorded to the extent that they represent claims payable to outside parties as a result of events and transactions prior to the year-end.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rate prevailing at the year-end and foreign currency transactions are translated at the exchange rate prevailing at the date of the transaction unless hedged by forward contracts which specify the rate of exchange. Adjustments to revenue or expenditure transactions arising as a result of foreign currency translation are credited or charged to operations at the time the adjustments arise. Unrealized foreign currency gains and losses on long-term, fixed term monetary assets and liabilities are reported as a deferred charge and amortized over the remaining terms of the related items on a straight-line basis.

Non monetary assets and liabilities are translated at historical rates of exchange.

(d) Specific Policies

Cash and Temporary Investments

Cash balances are shown after deducting outstanding cheques issued prior to the year-end. Cheques issued subsequent to the year-end relating to the previous year are included in accounts payable.

Temporary investments represent short-term investments, including those in Crown corporations, made to obtain a return on a temporary basis.

Temporary investments are recorded at the lower of cost and market value.

Accounts Receivable

All amounts receivable at the year-end for work performed, goods supplied or services rendered are recorded as part of the revenue of the fiscal year. Provision is made where collectibility is considered doubtful.

Due From Crown Corporations and Agencies

Due from Crown corporations and agencies represent amounts due, other than trade receivables, which will be realized in the following year. Provision is made where collectibility is considered doubtful.

Mortgages Receivable

Mortgages receivable are secured by real estate and are repayable over periods ranging up to thirty years. Provision is made where collectibility is considered doubtful.

Prepaid Program Costs

Prepaid program costs represent expenditures made during the fiscal year for work to be performed, goods to be supplied, services to be rendered or contractual obligations to be fulfilled by outside parties in a subsequent fiscal year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1985—Continued

1. Significant Accounting Policies—Continued

Inventories

Inventories comprise items held for resale and are recorded at the lower of cost and net realizable value. Inventories of supplies are charged to the respective programs when the cost is incurred.

Investments in Crown Corporations—at Equity

Investments in those Crown corporations which have been identified as Transportation companies and Commercial enterprises and which are intended to be run on commercial lines are recorded on an equity basis of accounting. Under this method the Province records its investments (including long-term advances) at cost, adjusted for increases and decreases in the investees' net assets. Since the Government ensures the ongoing activities of these enterprises, full account is taken of losses in the investee companies, even where the cumulative losses exceed the original investment.

Fiscal Agency Loans

Fiscal agency loans consist of loans made to government bodies which have been financed by borrowings made by the Minister of Finance, in his capacity as fiscal agent, together with borrowings made by the three financing authorities. These loans are recorded at maturity value less unamortized discount and sinking fund balances. Discount is amortized on a straight-line basis over the lives of the loans.

Property Under Development

Property under development is comprised of all property which will eventually be sold to outside parties. Such property is recorded at the lower of cost and net realizable value.

Fixed Assets

Disbursements for fixed assets are recorded as expenditures in the year the assets are received. Consistent with the reporting of fixed assets as expenditures, highways, bridges, wharves, ferries and ferry landings, buildings, office equipment, furniture, automobiles and 76 million hectares (293,000 square miles) of Crown land comprised of parks, forests and all other publicly held land in the Province are recorded at a nominal value of $1.

Other Assets

Other assets include loans, investments and advances of a miscellaneous nature which are recorded at cost after adjustment for any prolonged impairment in value. Certain deferred charges are also included.

Accounts Payable and Accrued Liabilities

All amounts payable for work performed, goods supplied, services known to have been rendered, or for charges incurred in accordance with the terms of a contract, are recorded as part of the expenditure of the fiscal year.

Due to Crown Corporations and Agencies

Amounts due to Crown corporations and agencies represent liabilities incurred which are repayable in the following year.

Deferred Revenue

Deferred revenue represents amounts received prior to the year-end in payment of revenue that will be earned in subsequent fiscal years.

Public Debt

Public debt represents direct debt obligations for the purpose of the Province of British Columbia, fiscal agency loans, and direct debt obligations of consolidated Crown corporations. Fiscal agency loans represent borrowings made by the Minister of Finance, in his capacity as fiscal agent, on behalf of government bodies in accordance with the *Financial Administration Act* (S.B.C. 1981, chapter 15). These obligations are recorded at their principal value at maturity less unamortized discount and sinking fund balances where applicable. Discount is amortized on a straight-line basis over the lives of the respective issues.

Guaranteed Debt

Guaranteed debt represents that debt of municipalities and other local governments, private enterprises and individuals, and debt and minority interests of Provincial Crown corporations which has been explicitly guaranteed or indemnified by the Province under the authority of a statute as to net principal and accrued interest outstanding.

Commitments

Commitments represent obligations of the Consolidated Entities to the extent of contracts and agreements in place at the year end, as disclosed in the audited financial statements of the Province and the related Crown Corporations and Agencies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1985—Continued

2. Changes in Accounting Policy

(a) A change in policy has been retroactively implemented which recognizes accumulated employee sick leave, vacation and other entitlements as liabilities of the Province. Under the previous accounting policy these items were recognized as expenditures in the accounts when paid.
The effect of this change in policy in the 1985 financial statements is to increase the net deficiency at the beginning of the year by $107,880,213 (1984: $115,378,316) to decrease net expenditure by $7,155,338 (1984: $7,498,103) and to increase accrued liabilities by $100,724,875 (1984: $107,880,213).

(b) Effective April 1, 1984, the Province adopted a policy recommended by the Canadian Institute of Chartered Accountants for unrealized foreign currency gains and losses. Unrealized gains and losses on long-term, fixed term monetary assets and liabilities are deferred and amortized over the remaining terms of the related items on a straight line basis.
The effect of this policy in the 1985 financial statements is to charge the current year's net income with $2,675,516 for amortization of deferred losses and to establish unamortized deferred charges of $12,212,944. No adjustment to the consolidated financial statements has been made for any variations in the implementation of the Canadian Institute of Chartered Accountants' recommendation by the corporations included on the equity basis.

(c) On August 1, 1985, Treasury Board approved the consolidation of the Capital Financing Authorities: British Columbia Educational Institutions, British Columbia Regional Hospital Districts and British Columbia School Districts with other Provincial corporations and agencies.
The effect of this change on the Consolidated Statement of Operating Results is to increase revenue and expenditure by an equal amount of $146,649,793. The effect on the Consolidated Balance Sheet is to increase accounts receivable and accounts payable by an equal amount of $96,170,709, and to increase fiscal agency loans and public debt by an equal amount of $1,965,968,121.
The 1984 comparative statements have not been restated since this change had no effect on the Taxpayers' Equity.

3. Cash and Temporary Investments

Included in temporary investments are bonds and notes of certain Crown corporations amounting to $292,968 (1984: $5,635,760).

4. Accounts Receivable

	1985	1984
	$	$
Government of Canada	76,186,781	151,778,079
British Columbia municipalities—*re:* shared-cost programs	25,280,451	31,428,001
Taxes receivable	250,344,553	225,422,215
Timber royalty, stumpage and range fees	31,982,122	47,231,067
School districts, library districts, improvement districts, water districts, co-operative associations, local areas and other	189,809,411	189,455,176
Ministerial advances and sundry agencies	3,869,490	4,009,094
Trade accounts and other receivables of the:		
Crown Land	3,595,543	1,529,832
British Columbia Liquor Distribution Branch	2,240,349	1,134,257
Queen's Printer	153,869	131,240
Lottery Fund	8,081,086	9,363,698
Farm Income Assurance Fund	15,790,065	14,112,342
First Citizens Fund		5,210
University Endowment Lands Administration	97,480	90,432
Revenue Sharing Fund	6,543	
Accrued interest receivable	36,179,940	13,093,097
Land sales—principal	3,177,058	3,356,853
Water rental and recording fees	1,057,074	985,041
Court fees	4,470,787	4,303,476
Sundry fees	13,079,765	16,073,348
Recoveries from Crown corporations	10,969,998	10,840,849
Financial Administration Act, sec. 22	14,458,150	10,236,611

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1985—Continued

4. Accounts Receivable—Continued

Accounts receivable of consolidated Crown corporations:		
British Columbia Buildings Corporation	2,455,000	2,294,000
British Columbia Educational Institutions Capital Financing Authority	17,167,169	
British Columbia Food Exhibitions Ltd.	156	
British Columbia Health Care Research Foundation	61,755	179,248
British Columbia Heritage Trust	50,839	59,974
British Columbia Housing Management Commission	3,997,838	4,242,002
British Columbia Pavilion Corporation	1,486,722	
British Columbia Petroleum Corporation	97,042,792	52,206,188
British Columbia Place Ltd.	632,302	1,129,000
British Columbia Regional Hospital Districts Financing Authority	31,655,125	
British Columbia School Districts Capital Financing Authority	47,348,415	
British Columbia Systems Corporation	1,124,620	1,178,220
Creston Valley Wildlife Management Authority Trust Fund	4,805	3,319
Discovery Foundation	384,208	149,568
Expo 86 Corporation	817,603	798,808
Health Facilities Association of British Columbia	133,800	498,488
Knowledge Network of the West Communications Authority	56,149	12,439
Legal Services Society	28,021	28,083
Medical Services Commission of British Columbia	1,827,826	1,666,579
Provincial Capital Commission	75,448	44,285
Science Council of British Columbia	29,269	35,096
Universities Council	17	2,615
W.L.C. Developments Ltd.	302,455	606,478
	897,512,849	799,714,308

5. Due From Crown Corporations and Agencies

	1985	1984
	$	$
Workers' Compensation Board of British Columbia	1,502,000	1,502,000

6. Mortgages Receivable

	1985	1984
	$	$
Crown Land—first mortgages, fully secured, with terms of up to 30 years and interest rates varying from 4% to 22¼%	38,082,764	39,210,300
Provincial Home Acquisition—first and second mortgages pursuant to the *Provincial Home Acquisition Act*, *Home Purchase Assistance Act* and the *Home Conversion and Leasehold Loan Act*, fully secured, with terms of up to 25 years and interest rates varying from 8¾% to 15% (net of provision for doubtful recoveries of $3,000,000; 1984 $2,000,000)	231,270,897	225,955,629
Mortgages receivable of the following Crown corporations:		
British Columbia Heritage Trust	151,790	153,782
British Columbia Petroleum Corporation	68,169	
British Columbia Place Ltd.	2,709,000	2,689,000
Health Facilities Association of British Columbia	4,825,317	5,046,670
	277,107,937	273,055,381

7. Prepaid Program Costs

	1985	1984
	$	$
British Columbia Petroleum Corporation, prepaid gas	112,139,002	105,818,083
Guaranteed Available Income for Need Act	71,787,924	62,743,055
Other	7,803,378	11,855,339
	191,730,304	180,416,477

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1985—Continued

8. Inventories

	1985	1984
	$	$
British Columbia Liquor Distribution Branch	43,103,917	37,244,846
Ministry of Education	510,898	707,721
Ministry of Energy, Mines and Petroleum Resources	139,090	
Ministry of Environment	409,970	519,080
Ministry of Finance	2,425,820	2,425,820
Ministry of Health	730,329	1,020,312
Ministry of Provincial Secretary and Government Services	773,544	654,245
Other	107,879	200,886
	48,201,447	42,772,910

9. Investments in Crown Corporations —at equity

	1985			1984
	Shares and Advances	Unremitted Equity	Total	Total
	$	$	$	$
British Columbia Cellulose Company	2	1,721,878	1,721,880	2,916,580
British Columbia Development Corporation	75,468,300	(60,027,223)	15,441,077	54,605,836
British Columbia Ferry Corporation	6,851,185	(15,720,000)	(8,868,815)	(6,856,815)
British Columbia Hydro and Power Authority	8,077,086	518,800,000	526,877,086	553,073,595
British Columbia Lottery Corporation	13,282,333		13,282,333	
British Columbia Railway Company	37,350,601	562,089,000	599,439,601	131,269,601
British Columbia Steamship Company (1975) Ltd.	5	432,330	432,335	937,182
British Columbia Transit	55,000,000	(16,728,000)	38,272,000	46,198,000
Housing Corporation of British Columbia	1	4,799,000	4,799,001	4,447,001
Insurance Corporation of British Columbia		8,378,000	8,378,000	13,472,000
Ocean Falls Corporation		(2,959,556)	(2,959,556)	(2,098,345)
Pacific Coach Lines Limited	2	(3,966,269)	(3,966,267)	(2,382,386)
Surrey Farm Products Investments Ltd.				(592,162)
	196,029,515	996,819,160	1,192,848,675	794,990,087

For details of the computation of these figures see pages C 27 and C 28.

(a) British Columbia Cellulose Company

During the year ended March 31, 1984 the Legislature passed the *British Columbia Cellulose Company Repeal Act*. The purpose of this Act is to dissolve British Columbia Cellulose Company and transfer all properties and liabilities to the Crown. This Act has not yet come into force by regulation of the Lieutenant Governor in Council.

(b) British Columbia Lottery Corporation (the Corporation)

The British Columbia Lottery Corporation was incorporated on October 25, 1984 for the purpose of conducting and managing lottery games on behalf of the Province. By agreement, dated March 29, 1985 the Province withdrew from the Western Canada Lottery Foundation and designated the Corporation to assume this function. The Corporation also represents the interest of the Province in the Inter-Provincial Lottery Corporation games. Operations of the Corporation commenced April 1, 1985.

During the year the Corporation received from the Province interest free advances totalling $13,282,332 to facilitate initial investments in leaseholds, equipment and furnishings. Advances will be repaid from the operations of the Corporation, and are not subject to any specific repayment terms.

(c) British Columbia Railway Company (the Railway)

The Province holds the entire issued share capital of the British Columbia Railway Company and, pursuant to the *British Columbia Railway Finance Act* (formerly the *British Columbia Railway Construction Loan Act*), guarantees the payment of the principal and interest on all monies borrowed by the Railway. The historic cost of the shares was $257,688,500 and the amount of the debt (net of sinking funds) guaranteed by the Province was $226,322,983 at March 31, 1985.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1985—Continued

9. Investments in Crown Corporations—at equity—Continued

During the year ended March 31, 1980, the Province's investment, which amounted to $185,572,900, was written down to one dollar and an additional investment of $45 million made in March, 1982 was written off because of the cumulative deficit of the Railway at that date.

During the year ended March 31, 1984, 160,000 shares in the Railway were acquired by the Province at a cost of $16,000,000 in cash and a further 111,156 shares were acquired at a par value of $100 each in exchange for the net railway assets of the British Columbia Harbours Board. In view of the net equity position of the Railway at the time of issue of these shares, their cost is recorded as an asset of the Province.

During the current fiscal year the Province provided $29,359,461 to the Railway to be applied against its historic debt service charges prior to the date of payment of the allocation from the Resource Revenue Stabilization Fund.

On June 15, 1984, the Province of British Columbia paid from the Resource Revenue Stabilization Fund to the Railway $407,642,191 (Canadian) and $17,177,060 (U.S.) to enable the Railway to fully fund its historic debt. These amounts, when added to existing sinking fund balances, permitted the Railway to fund each debt issue on a full and irrevocable basis. The Trustee of the sinking funds used the entire amounts in the sinking funds to purchase promissory notes issued by the Province in the amount of $690,827,000 (Canadian) and $25,747,000 (U.S.). The payment terms and conditions of the promissory notes are sufficient to pay in full all future amounts payable under the terms of the debt issues comprising the historic debt.

The Province instructed the Railway to consolidate its accumulated deficit with contributed surplus as at December 31, 1984 resulting in a transfer from deficit of $242,841,000.

In June, 1984 BC Rail Ltd. issued, through Canadian stock exchanges, eight million Series A Preferred Shares at a price of $25 per share. The common shares of BC Rail Ltd. are owned 25% by the Railway and 75% by BCR Properties Ltd. The Railway holds 100% of the common shares of BCR Properties Ltd.

The proceeds of $200 million from the sale of the preferred shares were used by BC Rail Ltd. as part payment for the purchase of the railway assets from the Railway, which in turn, applied the $200 million to reduce its notes payable. These notes had been issued as interim financing in connection with the costs of construction of the 129 kilometre Tumbler Ridge Branch Line.

The Province has agreed to pay to a trustee for distribution to holders of Series A Preferred Shares an amount equal to any dividend, retraction, redemption or liquidation payment specified or provided for in the share provisions attaching to the Series A Preferred Shares which is not made by BC Rail Ltd.

(d) British Columbia Transit

The British Columbia Transit advance represents an interest free promissory note with a principal balance of $55,000,000. This note does not become due and payable until any rail transit system, constructed or acquired by British Columbia Transit, enters into revenue service operations.

(e) Housing Corporation of British Columbia (the Corporation)

The operations of the Corporation are in the process of voluntary liquidation. Pending dissolution the investment is carried at a nominal value of $1, plus unremitted equity of $4,799,000.

(f) Ocean Falls Corporation

During the year ended March 31, 1984 the Legislature passed the *Ocean Falls Repeal Act*. The purpose of this Act is to dissolve the Ocean Falls Corporation and to transfer all of its property and liabilities to the Crown. This Act has not yet come into force by regulation of the Lieutenant Governor in Council.

(g) Pacific Coach Lines Ltd. (the Company)

On March 31, 1984 the operations of the Pacific Coach Lines Ltd. ceased and wind-up of the company is currently in process.

(h) Surrey Farm Products Investments Ltd. (the Company)

The Company (now named British Columbia Food Exhibitions Ltd.) is currently being organized to carry out an international food trade show "Food Pacific 86". Due to the change in the activities of the Company it is now reported on a fully consolidated basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1985—Continued

10. Fiscal Agency Loans

	1985			1984
	Short-Term	Long-Term	Total	Total
	$	$	$	$
British Columbia Assessment Authority	3,319,300		3,319,300	3,578,940
British Columbia Educational Institutions		378,550,843	378,550,843	
British Columbia Hydro and Power Authority		353,339,857	353,339,857	
British Columbia Railway Company	115,891,023	24,787,722	140,678,745	
British Columbia Regional Hospital Districts		636,405,312	636,405,312	
British Columbia School Districts		933,296,788	933,296,788	
British Columbia Transit	146,885,709	229,043,708	375,929,417	86,500,000
Capital Project Certificate of Approval Program	11,694,089		11,694,089	
University of British Columbia	11,448,975		11,448,975	
	289,239,096	2,555,424,230	2,844,663,326	90,078,940

11. Property Under Development

	1985	1984
	$	$
Crown Land—real estate	57,866,040	53,419,774
W.L.C. Developments Ltd.—land	9,282,107	9,161,769
	67,148,147	62,581,543

12. Fixed Assets

The values of fixed assets listed below are recorded in the accounts of the various consolidated entities, but for the purposes of these consolidated financial statements, the amounts have been reduced to a nominal value of $1 to conform with the accounting policies of the Government.

	1985			1984
	Cost	Accumulated Depreciation and Amortization	Net	Net
	$	$	$	$
British Columbia Buildings Corporation	702,010,000	133,605,000	568,405,000	580,843,000
British Columbia Heritage Trust	1,034,868		1,034,868	905,590
British Columbia Housing Management Commission	892,260	618,387	273,873	82,819
British Columbia Pavilion Corporation	152,045	49,976	102,069	
British Columbia Petroleum Corporation	586,482	326,890	259,592	213,155
British Columbia Place Ltd.	322,883,000	6,241,000	316,642,000	269,543,000
British Columbia Systems Corporation	63,417,000	10,838,000	52,579,000	49,420,000
Discovery Foundation	9,851,571	287,261	9,564,310	9,044,905
Expo 86 Corporation	195,165,707		195,165,707	51,569,137
Health Facilities Association of British Columbia	77,328,529		77,328,529	73,859,076
Knowledge Network of the West Communications Authority	3,253,870	1,801,530	1,452,340	1,495,043
Provincial Rental Housing Corporation	89,977,955	13,741,218	76,236,737	76,363,732
W.L.C. Developments Ltd.	4,665,090		4,665,090	525,055
	1,471,218,377	167,509,262	1,303,709,115	1,113,864,512

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1985—Continued

13. Other Assets

	1985	1984
	$	$
Investments—		
British Columbia Regional Hospital Districts Financing Authority bonds		12,000,000
British Columbia School Districts Capital Financing Authority bonds		44,075,786
British Columbia Resources Investment Corporation		617
Loans under the—		
Farm Product Industry Act	646,277	661,277
Ministry of Industry and Small Business Development Act	52,074,747	55,437,263
Agricultural Land Development Act	18,291,718	18,798,331
Oyster Seed Program	3,593	10,567
Downtown Revitalization	10,839,235	7,719,320
Advances—		
City of Penticton	150,000	150,000
British Columbia Credit Unions under Housing Initiative Program Agreement	31,638,219	96,342,805
Homeowner Assistance Act	78,878,024	72,826,465
Agricultural Land Commission Act	808,444	672,952
Crop Insurance Stabilization	5,100,000	
Issue costs on Public Debt	9,820,750	3,784,994
Unamortized foreign exchange losses less gains	12,212,944	
Other		404,493
Investments and Loans—consolidated Crown corporations		
British Columbia Petroleum Corporation	42,465,279	32,454,594
Creston Valley Wildlife Management Authority Trust Fund	110,025	88,591
Knowledge Network of the West Communications Authority	1,772,416	1,963,801
Deferred charges—consolidated Crown corporations		
British Columbia Buildings Corporation	3,287,000	
British Columbia Food Exhibitions Ltd.	6,611	
British Columbia Petroleum Corporation		246,952
British Columbia Place Ltd.	734,500	875,000
British Columbia Systems Corporation	1,040,000	
Discovery Foundation	2,328,523	3,228,513
Health Facilities Association of British Columbia		117,964
Provincial Capital Commission		1,778
	272,208,305	351,862,063

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1985—Continued

14. Accounts Payable and Accrued Liabilities

	1985	1984
	$	$
Consolidated Revenue Fund	793,855,887	697,419,528
Accounts payable of consolidated Crown corporations:		
British Columbia Buildings Corporation	35,812,229	49,186,731
British Columbia Educational Institutions Capital Financing Authority	17,167,169	
British Columbia Food Exhibitions Ltd.	2,484	
British Columbia Health Care Research Foundation	3,358	1,863,997
British Columbia Heritage Trust	12,747	16,130
British Columbia Housing Management Commission	3,370,650	3,595,383
British Columbia Pavilion Corporation	62,164	
British Columbia Petroleum Corporation	85,842,042	70,866,948
British Columbia Place Ltd.	15,172,119	16,435,440
British Columbia Regional Hospital Districts Financing Authority	31,655,125	
British Columbia School Districts Capital Financing Authority	47,348,415	
British Columbia Systems Corporation	17,132,000	16,201,817
Creston Valley Wildlife Management Authority Trust Fund	1,395	1,296
Discovery Foundation	364,953	575,764
Expo 86 Corporation	16,399,578	10,680,747
Health Facilities Association of British Columbia	3,090,334	6,639,292
Knowledge Network of the West Communications Authority	88,994	176,172
Legal Services Society	1,322,004	2,717,305
Medical Services Commission of British Columbia	105,705,921	99,092,106
Provincial Capital Commission	129,260	167,487
Provincial Rental Housing Corporation	2,583,194	
Science Council of British Columbia	44,151	53,801
Universities Council	21,829	26,252
W.L.C. Developments Ltd.	1,249,028	550,661
	1,178,437,030	976,266,857

15. Due to Crown Corporations and Agencies

	1985	1984
	$	$
British Columbia Assessment Authority		256,980
British Columbia Development Corporation	2,150,546	732,324
British Columbia Hydro and Power Authority	87,177	500,000
British Columbia Institute of Technology	381,777	1,478,407
British Columbia Transit	10,996,651	1,005,000
Pacific Vocational Institute	1,190,800	851,743
Simon Fraser University	1,536,111	1,604,594
University of British Columbia	6,570,681	3,996,736
University of Victoria	977,219	978,995
Workers' Compensation Board of British Columbia	1,733,504	
	25,624,466	11,404,779

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1985—Continued

16. Deferred Revenue

	1985	1984
	$	$
Taxation—property tax	720,748	
Natural resources revenue—		
Minerals—permits and fees	31,892,784	26,991,000
Water resources—water rentals and recording fees	51,596,804	46,949,385
Timber harvesting, rentals and fees	4,871,912	5,413,518
Forest Protection Agreement		334,535
Other revenue—	63,297,000	71,138,000
Licence revenue	3,673,040	4,253,164
Land leases	4,983,724	3,207,713
Land sales	2,348,861	3,100,531
Miscellaneous sales and services	30,564,862	23,405,476
Contributions from the Federal Government—		
Canada Assistance Plan	212,216	117,089
Deferred revenue of consolidated Crown corporations:	30,475,487	34,241,135
British Columbia Housing Management Commission	1,802,000	1,750,000
British Columbia Petroleum Corporation		957,000
British Columbia Place Ltd.		950
British Columbia Systems Corporation	200,340	110,162
Creston Valley Wildlife Management Authority Trust Fund	2,916,704	1,015,823
Discovery Foundation	41,600	
Expo 86 Corporation	28,569,765	25,708,305
Knowledge Network of the West Communications Authority	13,395	10,289
Medical Services Commission of British Columbia	258,181,242	248,704,075
Provincial Capital Commission		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1985—Continued

17. Public Debt

	1985				1984
		Less			
	Gross Debt	Sinking Funds Accumulated	Debt Held by Consolidated Entities	Net Debt	Net Debt
	$	$	$	$	$
Debt issued by:					
Consolidated Revenue Fund[1]	3,791,697,229			3,791,697,229	1,833,866,226
Crown Corporations:					
British Columbia Buildings Corporation[1]	674,081,155	(29,634,000)	(190,818,722)	453,628,433	500,074,864
British Columbia Educational Institutions Capital Financing Authority	413,762,000	(35,211,157)	(5,188,000)	373,362,843	
British Columbia Petroleum Corporation	29,872,740			29,872,740	30,000,000
British Columbia Place Ltd.	106,502,500	(688,000)	(76,648,186)	29,166,314	30,000,000
British Columbia Regional Hospital Districts Financing Authority	961,088,958	(243,737,160)	(12,000,000)	705,351,798	
British Columbia School Districts Capital Financing Authority	1,550,885,895	(617,589,107)	(44,080,059)	889,216,729	
British Columbia Systems Corporation	59,411,017	(2,034,017)		57,377,000	57,951,000
Expo '86 Corporation	203,271,099		(203,271,099)		
Health Facilities Association of British Columbia	91,807,624	(17,187,472)	(74,620,152)		85,431,459
Provincial Rental Housing Corporation	70,845,857		(24,334,488)	46,511,369	46,593,211
W.L.C. Developments Ltd.	17,138,818			17,138,818	11,381,852
	7,970,364,892	(946,080,913)	(630,960,706)	6,393,323,273	2,595,298,612

Net debt repayment due in the next fiscal year is Canadian $272 million and due within the next five years is Canadian $1,378 million and U.S. $25.3 million. Details of the various terms of repayment are available in the financial statements of each of the consolidated entities. Refer to Section G for Crown corporations' financial statements and to the Schedule of Public Debt in Section B for Combined General and Special Fund details.

[1] The 1985 Gross Debt is net of unamortized discount in the amount of $225,463,223 for the Consolidated Revenue Fund and $27,278,000 for the British Columbia Buildings Corporation.

18. Contingencies and Commitments

(a) Guaranteed Debt

Guaranteed debt at March 31, 1985 totalled $9,439 million. Included in guaranteed debt is that debt of municipalities and other local governments, and private enterprises and indivduals, and debt and minority interests of Provincial Crown corporations, which has been explicitly guaranteed or indemnified by the Province under the authority of a statute as to net principal and accrued interest outstanding. See Schedule of Guaranteed Debt on pages C 29 and C 30 for details.

(b) Contingent Liabilities

(i) Pending Litigation

The Government is a defendant in legal actions which may give rise to future liabilities. Because the outcome of the litigation is uncertain, no amount has been recorded in these financial statements.

The Government has a contingent liability in respect of the following summary of cases where the estimated or known claim exceeds $100,000:

(a) A number of airline and railroad companies are challenging the Province's ability to tax the fuel consumed for their operations and to collect sales tax on aircraft; the amounts in issue total $9 million.

(b) Various claims totalling $9.8 million against assessments for social services, logging, mining, and corporation capital tax.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1985—Continued

18. Contingencies and Commitments—Continued

(c) Various legal actions totalling $7.2 million (each under $2 million and over $100,000), representing claims of damages to persons and property or other miscellaneous claims.

(ii) Other Contingent Liabilities

The Government also has contingent liabilities in the form of indemnities, indirect guarantees and outstanding claims. Because these amounts are uncertain no liability for them has been recorded in these financial statements.

(iii) British Columbia Hydro and Power Authority (B.C. Hydro)

The powerplant and concrete dam contractor on the Revelstoke project delivered in March 1984 a submission of claims for substantial unanticipated costs with respect to the work performed to completion to a maximum amount of $128 million. It is expected that B.C. Hydro will deny liability for the substantial part of all the claims made. Should any amount be paid by B.C. Hydro as a result of the claims, it will be capitalized as part of construction expenditures and included in fixed assets.

(iv) British Columbia Transit

During the fiscal year 1981/82, $60 million was received from the Government of Canada to be applied to the purchase of vehicles and the prebuild section of the advanced light rapid transit project. British Columbia Transit is contingently liable for repayment of some or all of the funds until such time as certain provisions of the agreement dated February 26, 1982 have been completed.

(c) General Commitments

At the end of each year there are a number of general commitments outstanding for ongoing programs and operations.

For reporting purposes in these financial statements, future expenditures of fully consolidated entities are recorded as a charge in the year in which the work or service is performed. Commitments for capital construction projects totalled approximately $377 million. Minimum payments under leases and other operating commitments totalled approximately $574 million.

Approved capital commitments for those entities reported on the equity basis totalled approximately $432 million and minimum payments under operating leases totalled approximately $111 million.

(d) Superannuation and Pension Actuarial Valuations

The Government has statutory responsibility for unfunded liabilities of the Public Service Superannuation Fund and the Teachers' Pension Fund as follows:

	Public Service Superannuation as at March 31, 1980[1]	Teachers' Pensions as at December 31, 1980[1]
	$	$
Assets		
Fund	1,069,594,000	716,697,000
Present value of future contributions	1,071,750,000	1,805,273,000
	2,141,344,000	2,521,970,000
Unfunded Liability	631,172,000	1,019,270,000
Total Actuarial Liability	2,772,516,000	3,541,240,000

See Section H of the Public Accounts for further details of these plans.

[1] New actuarial valuations are currently in process.

19. Subsequent Events

(a) Province of British Columbia (the Province)

In April 1985, the British Columbia Educational Institutions Capital Financial Authority purchased subordinated debentures of the Canadian Commercial Bank in the amount of $13 million. The purchase was made under an agreement with the Province in which the Authority was indemnified from and against any and all losses which might be incurred as a result of the purchase. This arrangement represented the Province's participation in the refinancing of the Canadian Commercial Bank at that time. Four months later, at which time the Province's only investment in the Canadian Commercial Bank was through the above-noted debentures, the Government of Canada announced that it was seeking a court-ordered liquidation of the bank. The amount that the Province may be called upon to pay to the Authority pursuant to the indemnity is uncertain.

(b) British Columbia Harbours Board (the Board)

Sections 2 and 3 of the *British Columbia Harbours Board Repeal Act* which provide for the repeal of the *Harbour Board Act* and dissolution of the Board respectively, came into force May 30, 1985.

(c) British Columbia Lottery Corporation (the Corporation)

On June 28, 1985 the Legislature passed the *Lottery Corporation Act* (Bill 43). The purpose of this Act is to continue the British Columbia Lottery Corporation as a Crown corporation established by statute. This Act has not yet come into force by regulation of the Lieutenant Governor in Council.

(d) British Columbia Petroleum Corporation (the Corporation)

The British Columbia Petroleum Corporation at March 31, 1985 had a liability for future gas supply of $30,475,487. This liability represented payments received from a distributor in 1981, 1982 and 1983 who was unable to take delivery of the gas purchased. Such gas volumes may be recovered from the Corporation within five years from the date incurred without further payment. Subsequent to March 31, 1985 the Corporation agreed to return, by July 1, 1985, the volumes of gas represented by the amount of $30,475,487, being the Corporation's liability for future gas supply, to the distributor who paid for those volumes. The net loss of revenues on the volumes of gas returned to the distributor amounts to approximately $13,500,000.

(e) British Columbia Transit

Effective June 1, 1985, the *British Columbia Transit Amendment Act (No. 2), 1985* merged the Metro Transit Operating Company with British Columbia Transit. Pursuant to the Act, British Columbia Transit assumed all property, rights, debts and obligations as well as responsibility for all employees of the Metro Transit Operating Company.

20. Comparatives

Certain of the comparative figures for the previous year have been reclassified to conform with the current year's presentation. These reclassifications have had no effect on the operating results or fund balances as previously reported.

CONSOLIDATED FINANCIAL STATEMENTS
SCHEDULE OF ENTITIES RECORDED ON A CONSOLIDATED OR EQUITY BASIS
FOR THE FISCAL YEAR ENDED MARCH 31, 1985

Crown Service Corporations
Recorded on Consolidated Basis

British Columbia Buildings Corporation
British Columbia Systems Corporation

Provincial Corporations and Agencies
Recorded on Consolidated Basis

British Columbia Educational Institutions Capital Financing Authority[1]
British Columbia Food Exhibitions Ltd. (Formerly Surrey Farm Products Investments Ltd.)[2]
British Columbia Health Care Research Foundation
British Columbia Heritage Trust
British Columbia Housing Management Commission
British Columbia Pavilion Corporation[1]
British Columbia Petroleum Corporation
British Columbia Place Ltd.
British Columbia Regional Hospital Districts Financing Authority[1]
British Columbia School Districts Capital Financing Authority[1]
Creston Valley Wildlife Management Authority Trust Fund
Discovery Foundation
Expo 86 Corporation
Health Facilities Association of British Columbia
Knowledge Network of the West Communications Authority
Legal Services Society
Medical Services Commission of British Columbia
Provincial Capital Commission
Provincial Rental Housing Corporation
The Science Council of British Columbia and Secretariat on Science, Research and Development (Science Council of British Columbia)
Universities Council
W.L.C. Developments Ltd.

Transportation Companies and Commercial Enterprises
Recorded on Equity Basis

British Columbia Cellulose Company
British Columbia Development Corporation
British Columbia Ferry Corporation
British Columbia Harbours Board[3]
British Columbia Hydro and Power Authority
British Columbia Lottery Corporation[1]
British Columbia Railway Company
British Columbia Steamship Company (1975) Ltd.
British Columbia Transit
Housing Corporation of British Columbia
Insurance Corporation of British Columbia[4]—excluding the Insurance (Motor Vehicle) Act Fund
Metro Transit Operating Company
Ocean Falls Corporation
Pacific Coach Lines Limited

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[1] These entities have been added in the current fiscal year.

[2] British Columbia Food Exhibitions Ltd. has been transferred from equity basis to consolidated basis due to the nature of its operations.

[3] British Columbia Harbours Board had no assets, liabilities or operations during the fiscal year. *See also* note 19 to the Consolidated Financial Statements.

[4] The General Insurance Division operations of the Insurance Corporation of British Columbia were sold during the 1985 fiscal year.

CONSOLIDATED FINANCIAL STATEMENTS
SCHEDULE OF OPERATING RESULTS OF CONSOLIDATED CROWN CORPORATIONS[1]
FOR THE FISCAL YEAR ENDED MARCH 31, 1985

	1985				1984
	Earnings (losses) per consolidated Crown corporations' financial statements	*Accounting Policy Adjustments*[2]		Net earnings (losses) for the year	Net earnings (losses) for the year
		Fixed assets	Other		
Crown Service Corporations	$	$	$	$	$
British Columbia Buildings Corporation	4,404,000	12,527,000	(3,546,000)	13,385,000	(33,723,000)
British Columbia Systems Corporation	(1,427,000)	(3,159,000)	416,000	(4,170,000)	1,382,000
	2,977,000	9,368,000	(3,130,000)	9,215,000	(32,341,000)
Provincial Corporations and Agencies					
British Columbia Food Exhibitions Ltd.	(2,505)		25,000	22,495	
British Columbia Health Care Research Foundation	(205,383)		(127,296)	(332,679)	(265,262)
British Columbia Heritage Trust	(75,703)	(129,278)		(204,981)	(257,678)
British Columbia Housing Management Commission	347,160	(191,054)		156,106	(828,870)
British Columbia Pavilion Corporation	17,304,619	(102,069)		17,202,550	
British Columbia Petroleum Corporation	140,013,142	(46,437)	(140,013,142)	(46,437)	43,326
British Columbia Place Ltd.	(3,889,000)	(47,099,000)		(50,988,000)	(48,831,000)
Creston Valley Wildlife Management Authority Trust Fund	32,760			32,760	19,662
Discovery Foundation	(378,017)	(519,405)		(897,422)	(1,227,886)
Expo 86 Corporation		(162,596,570)	(15,179,622)	(177,776,192)	(44,341,015)
Health Facilities Association of British Columbia	67,375	(3,469,453)		(3,402,078)	(13,862,524)
Knowledge Network of the West Communications Authority	(839,445)	42,703		(796,742)	(171,287)
Legal Services Society	1,677,918			1,677,918	(945,194)
Medical Services Commission of British Columbia					120,126,050
Provincial Capital Commission	224,257			224,257	(235,228)
Provincial Rental Housing Corporation	1,154,868	(1,027,873)		126,995	1,019,171
Science Council of British Columbia	(800,007)			(800,007)	(1,166,706)
Universities Council	(58,905)			(58,905)	(89,718)
W.L.C. Developments Ltd.	4,311,586	(4,140,035)	(6,650,000)	(6,478,449)	(2,191,039)
	158,884,720	(219,278,471)	(161,945,060)	(222,338,811)	6,794,820
Total	161,861,720	(209,910,471)	(165,075,060)	(213,123,811)	(25,546,180)

[1] The British Columbia Educational Institutions Capital Financing Authority, British Columbia Regional Hospital Districts Financing Authority and British Columbia School Districts Capital Financing Authority do not generate any earnings or losses and are, therefore, not shown on this schedule.

[2] Accounting policy adjustments are made so that the net earnings (losses) of consolidated entities are calculated in accordance with the accounting policies adopted by the Government as described in note 1, Basis of Accounting, page C 11.

CONSOLIDATED FINANCIAL STATEMENTS
SCHEDULE OF EQUITY IN COMMERCIAL ENTERPRISES
FOR THE FISCAL YEAR ENDED MARCH 31, 1985

	1985								
	British Columbia Cellulose Company	British Columbia Development Corporation[1]	British Columbia Hydro and Power Authority	British Columbia Lottery Corporation	Housing Corporation of British Columbia	Insurance Corporation of British Columbia[2]	Ocean Falls Corporation	Surrey Farm Products Investments Ltd.	Total
	$	$	$	$	$	$	$	$	$
Earnings (losses) for the year before extraordinary items	(1,194,700)	(39,094,759)	3,000,000		352,000	235,000	(2,022,935)		**(38,725,394)**
Extraordinary items						(5,329,000)	661,724		**(4,667,276)**
Net earnings (losses) for the year	(1,194,700)	(39,094,759)	3,000,000		352,000	(5,094,000)	(1,361,211)		**(43,392,670)**
Unremitted earnings (losses)—beginning of year	2,916,578	(20,932,464)	545,000,000		2,545,000	13,472,000	(17,682,750)	(592,163)	**524,726,201**
Other changes to net equity			(24,000,000)[3]					592,163	**(23,407,837)**
Unremitted earnings (losses)—end of year	1,721,878	(60,027,223)	524,000,000		2,897,000	8,378,000	(19,043,961)		**457,925,694**
Equity contributed and transferred			(5,200,000)[4]		1,902,000		16,084,405		**12,786,405**
Unremitted equity—end of year	1,721,878	(60,027,223)	518,800,000		4,799,000	8,378,000	(2,959,556)		**470,712,099**
Recorded by the Government:									
Shares and other investments	2	54,618,300	8,077,086	1	1				**62,695,390**
Advances		20,850,000		13,282,332					**34,132,332**
Total Equity	1,721,880	15,441,077	526,877,086	13,282,333	4,799,001	8,378,000	(2,959,556)		**567,539,821**

[1] The amount shown above for the British Columbia Development Corporation does not include $27,295,281 of the Government of British Columbia's funds held in trust and administered by the Corporation under the Low Interest Loan Assistance Program (L.I.L.A.).

[2] The amount shown above for the Insurance Corporation of British Columbia does not include the activities of the Insurance (Motor Vehicle) Act Fund, which operates as a self-sustaining entity; the profit for the year ended December 31, 1984 in this Fund was $9,862,000.

[3] The amount of $24,000,000 is the result of a change in accounting policy by British Columbia Hydro and Power Authority.

[4] This amount represents profit on sale of land to British Columbia Place Ltd.

CONSOLIDATED FINANCIAL STATEMENTS
SCHEDULE OF EQUITY IN TRANSPORTATION COMPANIES AND COMMERCIAL ENTERPRISES
FOR THE FISCAL YEAR ENDED MARCH 31, 1985[1]

	1985								1984
	British Columbia Ferry Corporation	British Columbia Railway Company	British Columbia Steamship Company (1975) Ltd.	British Columbia Transit[2]	Pacific Coach Lines Limited	Transportation Companies Total	Commercial Enterprises (page C 27)	Transportation Companies and Commercial Enterprises Total	Transportation Companies and Commercial Enterprises Total
	$	$	$	$	$	$	$	$	$
Earnings (losses) for the year before Provincial grants	(45,012,000)	6,650,000	(504,847)	(73,310,000)	(155,076)	(112,331,923)	(38,725,394)	(151,057,317)	(134,102,393)
Provincial grants	43,000,000	27,692,000		65,384,000		136,076,000		136,076,000	180,060,412
Earnings (losses) for the year before extraordinary items	(2,012,000)	34,342,000	(504,847)	(7,926,000)	(155,076)	23,744,077	(38,725,394)	(14,981,317)	45,958,019
Extraordinary items					79,004	79,004	(4,667,276)	(4,588,272)	(8,498,500)
Net earnings (losses) for the year	(2,012,000)	34,342,000	(504,847)	(7,926,000)	(76,072)	23,823,081	(43,392,670)	(19,569,589)	37,459,519
Unremitted earnings (losses)—beginning of year	(13,708,000)	(274,139,000)	(8,750,548)	(8,802,000)	(4,873,754)	(310,273,302)	524,726,201	214,452,899	163,998,860
Transfers from (to) Government									12,994,520[6]
Other changes to net equity		239,797,000[3]			(1,507,809)	238,289,191	(23,407,837)	214,881,354	
Unremitted earnings (losses)—end of year	(15,720,000)		(9,255,395)	(16,728,000)	(6,457,635)	(48,161,030)	457,925,694	409,764,664	214,452,899
Equity contributed and transferred		562,089,000[4]	9,687,725		2,491,366	574,268,091	12,786,405	587,054,496	397,723,496[6]
Unremitted equity—end of year[5]	(15,720,000)	562,089,000	432,330	(16,728,000)	(3,966,269)	526,107,061	470,712,099	996,819,160	612,176,395
Recorded by the Government:									
Shares and other investments	6,851,185	37,350,601	5		2	44,201,793	62,695,390	106,897,183	106,893,692
Advances				55,000,000		55,000,000	34,132,332	89,132,332	75,920,000
Total Equity	(8,868,815)	599,439,601	432,335	38,272,000	(3,966,267)	625,308,854	567,539,821	1,192,848,675	794,990,087

[1] This schedule should be read in conjunction with note 9 to the Consolidated Financial Statements.

[2] The Metro Transit Operating Company collects and remits all operating revenues to British Columbia Transit and is reimbursed by British Columbia Transit for its gross operating expenditures.

[3] This amount is comprised of $242,841,000 of accumulated deficit which was consolidated with contributed surplus and $3,044,000 of share issue costs less deferred income taxes.

[4] This amount does not include an extraordinary gain of $179,200,000 resulting from the defeasance of British Columbia Railway Company's historic debt.

[5] The net increase in unremitted equity from $612,176,395 in 1983/84 to $996,819,160 in 1984/85 of $384,642,765 is comprised of the net increase in unremitted earnings of $195,311,765 and the net increase in equity contributed and transferred of $189,331,000. (Refer to C 9).

[6] These figures reflect the reclassification of ($23,234,000) in British Columbia Harbours Board to Transfers to Government.

CONSOLIDATED FINANCIAL STATEMENTS
SCHEDULE OF GUARANTEED DEBT AS AT MARCH 31, 1985

Debt of municipalities and other local governments, Crown corporations and private enterprises explicitly guaranteed by the Province and Crown corporations under the authority of a statute as to net principal and accrued interest outstanding.

	1985			1984
	Gross Outstanding[1]	Sinking Funds[2]	Net Outstanding	Net Outstanding
	$	$	$	$
Municipalities and other local governments—				
(1) Guarantees authorized pursuant to the *Municipalities Assistance Act*, sec. 3 (serials)	4,193,377		4,193,377	8,795,003
(2) Guarantees authorized pursuant to the *Municipal Act*, sec. 854, debentures (principally serials)	24,808,390	10,019,346	14,789,044	16,233,141
(3) Greater Vancouver Sewerage and Drainage District debentures (some serials)	10,149,355	10,149,355		
Subtotal, municipalities and other local governments	39,151,122	20,168,701	18,982,421	25,028,144
Health and education—				
(4) Guarantees authorized pursuant to the *Educational Institutions Capital Finance Act*, sec. 9—				
Debentures—funded[1,3]				385,278,841
(5) Guarantees authorized pursuant to the *Financial Administration Act*, sec. 56—				
Student Aid Loans	9,955,185		9,955,185	
Riverview Hospital Volunteer Association	15,000		15,000	
(6) Guarantees authorized pursuant to the *Hospital District Finance Act*, sec. 9—				
Debentures—funded[1,3]				741,792,821
(7) Guarantees authorized pursuant to the *School District Capital Finance Act*, sec. 9[1,3]—				
Debentures—funded				992,387,067
— unfunded				4,245,316
Subtotal, health and education	9,970,185		9,970,185	2,123,704,045
Economic development—				
(8) Guarantees authorized pursuant to the *Agricultural Credit Act*, sec. 3	2,956,801		2,956,801	3,494,510
(9) Guarantees authorized pursuant to the *British Columbia Cellulose Company Act*, sec. 8[1]	4,847,911		4,847,911	9,053,926
(10) Guarantees authorized pursuant to the *British Columbia Railway Finance Act*, sec. 10[1]—				
Bonds and debentures—funded	767,564,796	767,564,796		619,442,096
Notes—unfunded				370,205,813
Capital leases	26,322,983		26,322,983	26,759,497
1st preferred shares—BC Rail Ltd.	200,000,000		200,000,000	
(11) Guarantees authorized pursuant to the *British Columbia Transit Act*, sec. 22[1]—				
Bonds and debentures	78,827,073	1,802,986	77,024,087	78,423,127
Notes	100,702,055		100,702,055	101,228,767
Capital leases	94,368,552		94,368,552	60,533,101
(12) Guarantees authorized pursuant to the *Development Corporation Act*, sec. 15[1]—				
Bonds	263,463,385			
Less: held by the British Columbia Housing and Employment Development Financing Authority	(180,838,626)			
	82,624,759		82,624,759	81,439,781
Notes	86,430,632		86,430,632	62,229,003
(13) Guarantees authorized pursuant to the *Farm Product Industry Act*, sec. 2	1,046,557		1,046,557	3,807,820

CONSOLIDATED FINANCIAL STATEMENTS
SCHEDULE OF GUARANTEED DEBT AS AT MARCH 31, 1985 — Continued

	1985			1984
	Gross Outstanding[1]	Sinking Funds[2]	Net Outstanding	Net Outstanding
	$	$	$	$
(14) Guarantees authorized pursuant to the *Ferry Corporation Act*, sec. 18[1]—				
Notes—unfunded	28,688,685		28,688,685	28,688,685
Notes—funded	14,870,340	344,900	14,525,440	14,870,340
(15) Indemnities authorized pursuant to the *Financial Administration Act*, sec. 56—				
The Terry Fox Medical Research Foundation, 272317 B.C. Ltd. and Pacific Isotopes and Pharmaceuticals Ltd.	8,000,000		8,000,000	
(16) Guarantees authorized pursuant to the *Harbour Board Act*, secs. 18 and 30.1[1]				6,607,660
(17) Guarantees authorized pursuant to the *Housing and Employment Development Financing Act*, secs. 5 and 6[1]—				
Bonds and debentures	179,684,411		179,684,411	189,348,698
(18) Guarantees authorized pursuant to the *Ministry of Transportation and Highways Act*, sec. 66, re: British Columbia Steamship Company (1975) Ltd.[1]	4,937,621		4,937,621	4,782,119
Subtotal, economic development	1,681,873,176	769,712,682	912,160,494	1,660,914,943
Utilities —				
(19) Guarantees authorized pursuant to the *Hydro and Power Authority Act*, sec. 44[1]—				
Bonds and debentures—funded	9,464,998,488	900,156,038	8,564,842,450	8,335,783,505
Subtotal, utilities	9,464,998,488	900,156,038	8,564,842,450	[illegible],505
Grand total, all guaranteed debt	11,195,992,971	1,690,037,421	9,505,955,550	[illegible],637
Less: Amounts included above held as investments within the Consolidated Entity	118,516,612	51,414,645	67,101,967	69,652,847
Net total, all guaranteed debt	11,077,476,359	1,638,622,776	9,438,853,583	12,075,777,790

[1] See Section G of the Public Accounts for details of maturity dates, interest rates, and redemption features of the outstanding debt of these Crown agencies.

[2] Gross outstanding debt at March 31, 1985 includes accrued interest of $378.2 million. Debt payable in United States currency is recorded in Canadian dollars at the rate of exchange prevailing at March 31, 1985.

Sinking funds consist of cash, investments and accrued interest. For the purposes of this schedule, investments are reported at amortized cost, with the following exceptions: For item (3), the actual sinking fund balance exceeds the gross outstanding debt and is therefore shown at an amount equal to the debt. Investments held by the British Columbia Railway Company sinking funds (item 10) are reported at a par value of $751 million. These investments have a par value, interest rate and maturity date identical to the debt they are funding, and so constitute a complete offset against the debt. By reporting these investments at par, the related net outstanding debt is reported at nil.

The market value of sinking fund investments at March 31, 1985 was $1.5 billion (1984: $1.5 billion), however, these are not considered to be temporary investments. These investments are generally held until maturity, at which time the par value is realized. Certified investments must be held in trust until maturity.

As a result of Government financing policies $3.1 billion of the guaranteed debt is held in investment accounts included in these financial statements and in other Provincial public sector superannuation and pension funds. Canada Pension Plan funds made available to the Government ($1.3 billion) are redeemable by the Federal Minister of Finance, subject to six months notice and certain other restrictions.

Between the year end and August 15, 1985 there have been redemptions net of additional debt issues guaranteed by the Province of $63 million Canadian and $107 million U.S.

[3] The Health and Education Financing Authorities are now fully consolidated, and as their debt now forms part of the direct debt of the consolidated entity it has been eliminated from this listing of contingent liability. In accordance with the stated presentation of the consolidated statements, no adjustment has been made to last year's figures to reflect the effect of the accounting policy change on those totals.

SECTION D

TRUST FUNDS

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TRUST FUNDS

PREAMBLE

Trust Funds as defined in accordance with the *Financial Administration Act* (S.B.C. 1981, chap. 15) are comprised of money held in trust by the Government or a public officer; and pension funds, sinking funds maintained by the Government, money received for another person and money paid to the Government as a deposit to ensure the doing of any act or thing. The Government has no power of appropriation over these funds.

Province of
British Columbia

Office of the
Auditor General
Province of British Columbia

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AUDITOR GENERAL'S REPORT

To the Legislative Assembly
of the Province of British Columbia
Parliament Buildings
Victoria, British Columbia

I have examined the statement of financial position of the Trust Funds of the Government of the Province of British Columbia as at 31 March 1985, and the statement of changes in trust balances for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances. I have received all the information and explanations I have required.

I report in accordance with section 7 of the *Auditor General Act*. In my opinion, these financial statements present fairly the financial position of the Trust Funds of the Government of the Province of British Columbia as at 31 March 1985 and the changes in trust balances for the year then ended in accordance with the stated accounting policies as set out in Note 1 to these financial statements applied on a basis consistent with that of the preceding year.

ERMA MORRISON, F.C.A.
Auditor General

Victoria, British Columbia
31 August 1985

TRUST FUNDS
STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 1985

Actively Managed:	Cash and Temporary Investments	Receivables	Other Investments[1]	Other Assets	Accounts Payable	Trust Balances 1985	Trust Balances 1984
	$	$	$	$	$	$	$
Superannuation and Pension Funds							
Public Service Superannuation Fund	976,585,822	70,073,462	999,343,913	19,598,971	(2,029,356)	2,063,572,812	1,795,158,370
Municipal Superannuation Fund	788,063,958	65,785,558	1,201,973,850	20,110,910	(1,142,864)	2,074,791,412	1,782,887,646
Teachers' Pensions Fund	601,559,542	47,483,667	925,558,191	16,549,939	(603,527)	1,590,547,812	1,365,771,496
College Pension Fund	91,113,996	4,295,963	37,388,843	577,835	(65,527)	133,311,110	111,317,136
British Columbia Hydro and Power Authority Pension Fund	173,021,467	13,863,173	305,587,709	86,570	(411,829)	492,147,090	431,229,016
British Columbia Power Commission Superannuation Fund	6,718,450	588,536	21,544,921	304,318	(60,970)	29,095,255	28,219,103
BC Rail Ltd. (formerly British Columbia Railway Company) Pension Fund	49,833,312	3,506,587	69,670,561	496,734	(368,988)	123,138,206	104,792,749
Members of the Legislative Assembly Superannuation Account	2,219,093	103,379	1,101,031		(119,740)	3,303,763	3,207,456
Workers' Compensation Board Superannuation Fund	5,692,427	2,558,875	56,180,430	843,269	(26,128)	65,248,873	54,882,880
Total Superannuation and Pension Funds	2,694,808,067	208,259,200	3,618,349,449	58,568,546[2]	(4,828,929)	6,575,156,333	5,677,465,852
Sinking Funds							
British Columbia Buildings Corporation	28,311,536	776,460	552,218		(8,048)	29,632,166	21,863,088
British Columbia Educational Institutions Capital Financing Authority	33,391,058	829,039	1,000,000		(8,940)	35,211,157	22,536,010
British Columbia Hydro and Power Authority	385,587,996	17,161,363	497,485,826		(79,146)	900,156,039	725,380,997
British Columbia Railway Company		16,779,505	563,285,474			580,064,979	155,548,516
British Columbia Regional Hospital Districts Financing Authority	123,109,383	5,001,111	98,730,253		(39,587)	226,801,160	197,470,835
British Columbia School Districts Capital Financing Authority	146,620,681	10,142,901	259,525,538		(60,908)	416,228,212	463,884,276
Greater Vancouver Sewerage and Drainage District	13,068,725	644,265	12,065,950		(7,339)	25,771,601	23,275,394
Province of British Columbia	8,353,319	244,900				8,598,219	
Province of British Columbia — Fiscal Agency Borrowings	2,402,083	79,887				2,481,970	
Other	9,135,147	406,235	5,352,919		(5,695)	14,888,606	10,289,932
Total Sinking Funds	749,979,928	52,065,666	1,437,998,178		(209,663)	2,239,834,109	1,620,249,048

Other Managed Trust Funds							
British Columbia Buildings Corporation Trust	5,000,957	4,234			(575)	5,004,616	5,015,599
British Columbia Development Corporation Trust	130,246,015	3,231,186			(25,058)	133,452,143	141,192,665
British Columbia Ferry Corporation Trust	19,625,457	32,717			(6,622)	19,651,552	3,995,096
British Columbia Housing and Employment Development Financing Authority Trust	213,691	9,843				223,534	5,999,774
British Columbia Hydro and Power Authority Trust	84,898,300	688,893			(9,626)	85,577,567	194,495,664
B.C. Pavilion Corporation Trust	14,008,266	1,487,158			(5,400)	15,490,024	
British Columbia Railway Company Trust	18,067	1,386				19,453	2,772,397
British Columbia Regional Hospital Districts Financing Authority Trust		376,315	14,177,267			14,553,582	
British Columbia School Districts Capital Financing Authority Trust	(1)	3,918,609	178,187,618			182,106,226	67,246,415
British Columbia Transit Trust	15,463,005	131,405			(8,526)	15,585,884	62,346,473
Health Facilities Association of British Columbia Trust	2,298,903				(116,356)	2,182,547	13,202,298
Public Service Long Term Disability Plan	34,238,425	1,180,189	1,987,521		(842,299)	36,563,836	32,759,171
Crown Corporations Long Term Disability Plan	5,880,637	327,838	346,348		(120,808)	6,434,015	6,006,459
Travel Industry Development Subsidiary Agreement	61,100	3,010,638			(61,100)	3,010,638	3,729,275
University of Victoria Engineering Complex Capital Account	11,489,527				(363,604)	11,125,923	16,000,000
Other	5,742,988	135,172			(5,797)	5,872,363	7,804,121
Total Other Managed Trust Funds	329,185,337	14,535,583	194,698,754		(1,565,771)	536,853,903	562,565,407
Custodial Deposits:							
Held Under the Jurisdiction of:							
Public Trustee and Official Administrators	148,401,229	4,588,679	32,414,500	40,040,821[3]	(2,938,493)	222,506,736	181,646,213
Crop Insurance Fund	1,183,944	1,255,823			(5,100,000)	(2,660,233)	393,253
Land Registry Assurance Fund	489,631	25,260	690,955			1,205,846	1,108,238
Supreme and County Court Rules (Suitor's Funds)	46,690,702		18,726,343			65,417,045	60,890,822
Workers' Compensation Board	1,035,106,438	44,431,162	843,280,033		(92,104)	1,922,725,529	1,610,940,695
Other Acts and Miscellaneous Deposits	28,636,596		13,816,334			42,452,930	45,673,486
Total Custodial Deposits	1,260,508,540	50,300,924	908,928,165	40,040,821	(8,130,597)	2,251,647,853	1,900,652,707
Total Trust Funds	5,034,481,872	325,161,373	6,159,974,546	98,609,367	(14,734,960)	11,603,492,198	9,760,933,014

[1] Comprised mainly of long term, fixed interest investments.
[2] Consist of deferred losses less gains on sale of investments.
[3] Comprised mainly of real property.
The accompanying notes and supplementary schedule are an integral part of these financial statements.

Approved on behalf of the Ministry of Finance:

D. L. EMERSON
Deputy Minister of Finance and Secretary of Treasury Board

D. B. MARSON
Comptroller General

TRUST FUNDS
STATEMENT OF CHANGES IN TRUST BALANCES FOR THE YEAR ENDED MARCH 31, 1985

Actively Managed:	Contributions and Transfers In	Investment Income	Pension Payments and Transfers Out	Administration Fees and Other	Net Change	Trust Balances 1985	Trust Balances 1984
Superannuation and Pension Funds	$	$	$	$	$	$	$
Public Service Superannuation Fund	177,862,366	205,667,930	(113,172,673)	(1,943,181)	268,414,442	2,063,572,812	1,795,158,370
Municipal Superannuation Fund	208,246,061	197,840,505	(110,913,584)	(3,269,216)	291,903,766	2,074,791,412	1,782,887,646
Teachers' Pensions Fund	164,039,748	155,193,150	(93,103,621)	(1,352,961)	224,776,316	1,590,547,812	1,365,771,496
College Pension Fund	12,742,512	12,481,315	(3,057,886)	(171,967)	21,993,974	133,311,110	111,317,136
British Columbia Hydro and Power Authority Pension Fund	40,456,048	49,873,425	(29,078,962)	(332,437)	60,918,074	492,147,090	431,229,016
British Columbia Power Commission Superannuation Fund	33,570	2,472,145	(1,608,387)	(21,176)	876,152	29,095,255	28,219,103
BC Rail Ltd. (formerly British Columbia Railway Company) Pension Fund	9,021,102	11,897,479	(2,493,760)	(79,364)	18,345,457	123,138,206	104,792,749
Members of the Legislative Assembly Superannuation Account	416,245	329,590	(649,528)		96,307	3,303,763	3,207,456
Workers' Compensation Board Superannuation Fund	7,474,948	6,650,051	(3,759,006)		10,365,993	65,248,873	54,882,880
Total Superannuation and Pension Funds	620,292,600	642,405,590	(357,837,407)	(7,170,302)	897,690,481	6,575,156,333	5,677,465,852

Sinking Funds	Instalments	Investment Income	Capital Disbursements	Other Costs and Administration	Net Change	Trust Balances 1985	Trust Balances 1984
	$	$	$	$	$	$	$
British Columbia Buildings Corporation	4,858,242	2,918,884		(8,048)	7,769,078	29,632,166	21,863,088
British Columbia Educational Institutions Capital Financing Authority	9,374,114	3,333,674	6,498	(39,139)	12,675,147	35,211,157	22,536,010
British Columbia Hydro and Power Authority	91,434,924	99,054,418	(15,635,154)	(79,146)	174,775,042	900,156,039	725,380,997
British Columbia Railway Company	433,406,298	58,053,734	(66,923,986)	(19,583)	424,516,463	580,064,979	155,548,516
British Columbia Regional Hospital Districts Financing Authority	24,833,530	23,865,588	(19,184,910)	(183,883)	29,330,325	226,801,160	197,470,835
British Columbia School Districts Capital Financing Authority	37,209,157	50,966,657	(135,593,141)	(238,737)	(47,656,064)	416,228,212	463,884,276
Greater Vancouver Sewerage and Drainage District	1,230,721	2,753,515	(1,452,278)	(35,751)	2,496,207	25,771,601	23,275,394
Province of British Columbia	8,194,500	403,719			8,598,219	8,598,219	
Province of British Columbia — Fiscal Agency Borrowings	2,401,920	80,050			2,481,970	2,481,970	
Other	3,185,479	1,429,005	3,540	(19,350)	4,598,674	14,888,606	10,289,932
Total Sinking Funds	616,128,885	242,859,244	(238,779,431)	(623,637)	619,585,061	2,239,834,109	1,620,249,048

Other Managed Trust Funds	Capital Receipts $	Investment Income $	Capital Disbursements $	Other Costs and Administration $	Net Change $	Trust Balances 1985 $	Trust Balances 1984 $
British Columbia Buildings Corporation Trust	851,789,705	144,380	(851,944,493)	(575)	(10,983)	5,004,616	5,015,599
British Columbia Development Corporation Trust	179,873,211	15,091,543	(202,573,585)	(131,691)	(7,740,522)	133,452,143	141,192,665
British Columbia Ferry Corporation Trust	49,250,000	1,415,136	(35,002,058)	(6,622)	15,656,456	19,651,552	3,995,096
British Columbia Housing and Employment Development Financing Authority Trust	21,618,695	127,251	(27,522,186)		(5,776,240)	223,534	5,999,774
British Columbia Hydro and Power Authority Trust	1,340,251,249	24,859,849	(1,474,019,569)	(9,626)	(108,918,097)	85,577,567	194,495,664
B.C. Pavilion Corporation Trust	18,500,000	1,902,347	(4,906,923)	(5,400)	15,490,024	15,490,024	
British Columbia Railway Company Trust	1,830,769,608	180,405	(1,833,702,957)		(2,752,944)	19,453	2,772,397
British Columbia Regional Hospital Districts Financing Authority Trust	14,010,453	1,110,711	(567,582)		14,553,582	14,553,582	
British Columbia School Districts Capital Financing Authority Trust	103,234,658	20,065,249	(8,440,096)		114,859,811	182,106,226	67,246,415
British Columbia Transit Trust	514,008,635	6,655,286	(567,415,984)	(8,526)	(46,760,589)	15,585,884	62,346,473
Health Facilities Association of British Columbia Trust	3,032,443	(372,501)	(13,679,693)		(11,019,751)	2,182,547	13,202,298
Public Service Long Term Disability Plan	9,516,384	3,804,666	(8,553,963)	(962,422)	3,804,665	36,563,836	32,759,171
Crown Corporations Long Term Disability Plan	1,030,719	716,110	(1,198,314)	(120,959)	427,556	6,434,015	6,006,459
Travel Industry Development Subsidiary Agreement	347,000	217,765	(298,653)	(984,749)	(718,637)	3,010,638	3,729,275
University of Victoria Engineering Complex Capital Account			(4,874,077)		(4,874,077)	11,125,923	16,000,000
Other	1,254,656,172	1,644,769	(1,258,217,784)	(14,915)	(1,931,758)	5,872,363	7,804,121
Total Other Managed Trust Funds	6,191,888,932	77,562,966	(6,292,917,917)	(2,245,485)	(25,711,504)	536,853,903	562,565,407

The accompanying notes and supplementary schedule are an integral part of these financial statements.

NOTES TO TRUST FUNDS FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1985

1. Significant Accounting Policies

A. REPORTING ENTITY

Trust Funds include amounts held and administered in trust; the Government has no power of appropriation over these funds. Two types of funds exist: actively managed funds and custodial deposits. The actively managed funds require the Minister of Finance to perform at least one of the following functions—set investment policy; control the collection of contributions, instalments and other receipts; disburse payments; and perform other administrative and miscellaneous functions related to the funds. The Minister's involvement with custodial deposits is merely to hold assets according to conditions set by agreements or statutes.

Actively managed funds include superannuation and pension funds, sinking funds and other managed trust funds. Custodial deposits include: funds held by the Public Trustee and Official Administrators, funds held under the Supreme and County Court Rules, funds held for the Workers' Compensation Board, funds held under other Acts and Miscellaneous Deposits. Each is more fully described below.

(a) *Superannuation and Pension Funds*

The Government administers and is responsible for collection of employee contributions to certain superannuation and pension plans in accordance with the following acts and regulations:

Pension (Public Service) Act
Pension (Municipal) Act
Pension (Teachers) Act
Pension (College) Act
Legislative Assembly Allowances and Pension Act
British Columbia Hydro and Power Authority Pension Fund Regulations
British Columbia Power Commission Superannuation Fund Regulations
BC Rail Ltd. Pension Fund Plan (formerly British Columbia Railway Company Pension Fund Rules and Regulations)
Workers' Compensation Board Superannuation Fund Plan

The Government is responsible for the employer contributions and has statutory responsibilities with respect to unfunded liabilities under the *Pension (Public Service) Act*, the *Pension (Teachers) Act* and the *Legislative Assembly Allowances and Pension Act*. The Government has no statutory responsibilities with respect to unfunded liabilities under the other acts and regulations noted above.

(b) *Sinking Funds*

The Minister of Finance holds in trust and manages sinking funds on behalf of various Crown corporations and public bodies. The Minister also establishes sinking funds for the Province's borrowings under the provisions of the *Financial Administration Act* (S.B.C. 1981, chap. 15). Instalments are received on a periodic basis from the Crown corporations and are invested by the Minister of Finance in his capacity as Trustee. The accumulated instalments, together with interest earned, less administrative costs, constitute the sinking funds. The purpose of these sinking funds is to provide for an orderly retirement of debts at maturity.

(c) *Other Managed Trust Funds*

These are funds of various Crown corporations and public bodies deposited with the Government for investment and administration. They include amounts such as working capital surplus to their immediate needs, funds for capital transactions and long term disability funds.

(d) *Custodial Deposits*

(i) Public Trustee and Official Administrators

Trust officers are responsible for the recording, managing and reporting aspects of the accounts maintained under the *Infants Act*, *Patients Property Act*, *Estate Administration Act*, *Public Trustee Act* and *Trustee Act*. These officers ensure that funds received for payments on mortgages, receivables, property rentals and investments are managed within the requirements of the acts. The management of each account's disbursements for liabilities, maintenance costs and benefits along with the process of consolidating and closing of accounts is also done in accordance with the requirements of the acts.

(ii) Supreme and County Court Rules (Suitors' Funds)

As trustee of all Supreme and County Court accounts—which include such items as garnishees, infants' settlements and court awards—the Minister of Finance records and reports the

NOTES TO TRUST FUNDS FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1985—Continued

1. Significant Accounting Policies—Continued

A. REPORTING ENTITY—Continued

financial transactions in each area of these suitors' funds according to the instructions given by the courts.

(iii) Workers' Compensation Board

The Minister of Finance acts only in an accounting and custodial capacity in the administration of the Workers' Compensation Board Trust Fund. The Minister is informed of what investments have been purchased or sold and arranges for the settlement of the transactions and the delivery of securities. All securities are under joint registry of the Workers' Compensation Board and the Minister of Finance.

(iv) Other Acts and Miscellaneous Deposits

Other acts and miscellaneous deposits include funds or securities lodged with the Minister of Finance to meet conditions set out in the statutes such as the *Forest Act, Mines Act, Insurance Act* or *Trust Company Act*. The Minister's function is only of a custodial nature, one in which the assets are held in safekeeping and the accounting records maintained.

B. BASIS OF ACCOUNTING

These financial statements are prepared on an accrual basis, except where noted.

(a) Temporary investments include deposits with chartered banks and other approved institutions. They are carried at cost of acquisition.

(b) *Superannuation and Pension Funds*

(i) These financial statements show only the position of the funds as at March 31, 1985 and the changes in the fund balances for the year then ended and do not purport to show the adequacy of the funds to meet the obligations of the superannuation and pension plans.

(ii) The long-term investments are carried at cost of acquisition adjusted as follows:
—premiums and discounts on single maturity bonds are amortized on a straight line basis over the terms of the bonds,
—premiums and discounts on serial bonds are recognized as income when redemptions occur,
—shares are carried at cost adjusted annually by 7 per cent of the difference between cost or adjusted cost and market value,
—gains and losses on disposition of long-term bonds are deferred and amortized on a straight line basis over the lesser of the remaining terms of the bonds sold or twenty years. The amortization is included in income from investments.

(c) *Sinking Funds and Other Managed Trust Funds*

Long-term investments are carried at amortized cost, with premiums and discounts being amortized on a straight line basis over the terms of the investments acquired.

(d) *Public Trustee*

Because of the nature of the activities of the Public Trustee in managing assets under various acts, and the need to promptly record these assets at the time of their receipt, various valuation methods are employed to provide for values which either approximate net realizable value at the commencement date of the trusteeship, or are at a nominal value.

(e) *Workers' Compensation Board*

Long-term investments are carried at amortized cost, with premiums and discounts being amortized on a straight line basis over the terms of the investments acquired.

(f) *Other Acts and Miscellaneous Deposits*

(i) Other custodial deposits are reported on a cash basis. Income earned on security deposits is received directly by the depositors and is not reflected in these financial statements.

(ii) Securities held are reported at par value.

NOTES TO TRUST FUNDS FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1985—Continued

1. Significant Accounting Policies—Continued

B. BASIS OF ACCOUNTING—Continued

(g) *Foreign Currency Translation*

Assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rate prevailing at the year-end and foreign currency transactions are translated at the exchange rate prevailing at the date of the transaction unless hedged by forward contracts which specify the rate of exchange. Adjustments to revenue or expenditure transactions arising as a result of foreign currency translation are credited or charged to operations at the time the adjustments arise.

A change in accounting policy approved by Treasury Board in August 1985 and applied to both the combined and consolidated financial statements has not yet been implemented in these statements due to the necessity of providing prior notice to the entities on whose behalf funds are held. The change, relating to the manner of reporting unrealized foreign currency gains and losses, will be effected in the 1985/86 fiscal year.

2. Comparatives

Certain of the comparative figures for the year ended March 31, 1984 have been reclassified to conform with the current year's presentation. These reclassifications have had no effect on the operating results or fund balances as previously reported.

TRUST FUNDS

SCHEDULE OF INVESTMENT PORTFOLIO PURSUANT TO SECTION 36 (8) OF THE *FINANCIAL ADMINISTRATION ACT, 1981* AS AT MARCH 31, 1985

	1985			1984
	Temporary Investments	Long-Term Investments	Total	Total
	$	$	$	$
Obligations of or guaranteed by Canada	1,969,860,334	1,079,788,580	3,049,648,914	2,475,764,330
Obligations of or guaranteed by a Province	439,071,200	4,835,162,341	5,274,233,541	4,268,306,035
Obligations of or guaranteed by a savings institution	2,410,065,599	51,745,084	2,461,810,683	2,284,307,767
Securities issued by the Municipal Finance Authority of British Columbia		129,259,377	129,259,377	141,849,876
Commercial paper issued by a corporation incorporated under the laws of Canada or of a Province	7,266,429		7,266,429	
Fully paid common shares of a corporation incorporated under the laws of Canada or of a Province		17,788,330	17,788,330	16,440,706
Total	4,826,263,562	6,113,743,712	10,940,007,274	9,186,668,714[1]
Held as follows:				
Superannuation and pension funds	2,695,037,497	3,618,349,449	6,313,386,946	5,461,636,190[1]
Sinking funds	746,771,792	1,437,998,178	2,184,769,970	1,578,240,310
Other managed trust funds	330,702,769	194,698,754	525,401,523	549,670,058
Custodial deposits	1,053,751,504	862,697,331	1,916,448,835	1,597,122,156
Total	4,826,263,562	6,113,743,712	10,940,007,274	9,186,668,714
Reconciliation with Statement of Financial Position—				
Total Trust Funds cash and investments	5,034,481,872	6,159,974,546	11,194,456,418	9,452,102,170
Cash and other investments held as follows:				
Superannuation and pension funds	229,430		229,430	(14,861,948)
Sinking funds	(3,208,136)		(3,208,136)	(3,155,933)
Other managed trust funds	1,517,432		1,517,432	8,257,815
Custodial deposits	(206,757,036)	(46,230,834)	(252,987,870)	(255,673,390)
Total	4,826,263,562	6,113,743,712	10,940,007,274	9,186,668,714

[1] In 1984 deferred gains and losses, totalling $18,296,582, on sale of investments were included in this schedule. 1985 deferred gains and losses are treated as Other Assets, and are therefore not included in this schedule.

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